8 pgs

MT LEGISLATIVE HISTORY

Chapter 293 1979

Bill (H) 213 S _____ Original bill & hist. ✓C

H. Committee on Taxation			S. Committee on Taxation		
Hearing Date(s)	FEB 12	✓C	Hearing Date(s)	Apr 2	✓C
subcommittee	2-12	___C -no minutes		Apr 5	✓C
	3-17	___C		_____	___C
	3-21	___C		_____	___C
Date Out	3-21	___C		Apr 5	✓C

Did this bill originate in an interim committee? ___Yes ___No

Committee _____ Report _____

CHAPTER NO. 693

HOUSE BILL NO. 213

INTRODUCED BY WILLIAMS, GOODOVER, YARDLEY, HUENNEKENS, FAGG, SIVERTSEN, GERKE, VINCENT, WATT, TOWE, TURNAGE, MATHERS, GALT, SCULLY, BENGTSON, DASSINGER, FASBENDER, STORY, FABREGA, KOLSTAD, LOWE, GRAHAM, HAZELBAKER, ROSKIE, O'HARA, DUSSAULT

BY REQUEST OF THE REVENUE OVERSIGHT COMMITTEE

IN THE HOUSE

January 17, 1979	Introduced and referred to Committee on Taxation.
March 24, 1979	Committee recommend bill do pass as amended. Report adopted.
March 26, 1979	Printed and placed on members' desks.
March 27, 1979	Second reading, do pass.
	Considered correctly engrossed.
	Third reading, passed. Transmitted to second house.

IN THE SENATE

March 27, 1979	Introduced and referred to Committee on Taxation.
April 5, 1979	Committee recommend bill be concurred in. Report adopted.
April 7, 1979	Motion pass consideration.
April 9, 1979	Second reading, concurred in.
April 11, 1979	Third reading, concurred in.

IN THE HOUSE

April 12, 1979	Returned from second house. Concurred in. Sent to enrolling.
	Reported correctly enrolled.

LC 0079/01

HOUSE BILL NO. 213

INTRODUCED BY

BY REQUEST OF THE REVENUE OVERSIGHT COMMITTEE

A BILL FOR AN ACT ENTITLED: "AN ACT TO GENERALLY REVISE THE PROPERTY TAX CLASSIFICATION SYSTEM; AMENDING SECTIONS 15-1-101, 15-6-101, 15-7-202, 15-8-111, 15-23-501, 15-23-505, 15-24-102, 15-24-301, 15-24-505, 15-24-506, 15-24-1102, 15-24-1103, 15-24-1308, 15-24-1311, AND 20-9-407; AND REPEALING SECTIONS 15-6-102 THROUGH 15-6-121 AND 15-7-121."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

NEW SECTION. Section 1. Class one property -- description -- taxable percentage. (1) Class one property includes:

(a) the right of entry that is a property right reserved in land or received by mesne conveyance (exclusive of leasehold interests), devise, or succession to enter land whose surface title is held by another to explore, prospect, or dig for oil, gas, coal, or minerals; and

(b) the annual net proceeds of all mines and mining claims except coal and metal mines.

(2) Class one property is taxed as follows:

(a) Property described in subsection (1)(a) is taxed at 100% of its market value, as determined by the department of revenue.

(b) Property described in subsection (1)(b) is taxed at 100% of its annual net proceeds after deducting the expenses specified and allowed by 15-23-503.

NEW SECTION. Section 2. Class two property -- description -- taxable percentage. (1) Class two property includes:

(a) the annual gross proceeds of metal mines;

(b) the annual gross proceeds of underground coal mines; and

(c) the annual gross proceeds of coal mines using the strip-mining method.

(2) Class two property is taxed as follows:

(a) Property described in subsection (1)(a) is taxed at 3% of its annual gross proceeds, as defined in 15-23-801.

(b) Property described in subsection (1)(b) is taxed at 33 1/3% of its annual gross proceeds.

(c) Property described in subsection (1)(c) is taxed at 45% of its annual gross proceeds.

NEW SECTION. Section 3. Class three property -- description -- taxable percentage. (1) Class three property includes agricultural land as defined in 15-7-202.

(2) Class three property is taxed at 30% of its productive capacity.

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NEW SECTION. Section 4. Class four property -- description -- taxable percentage. (1) Class four property includes:

(a) all land except that specifically included in another class;

(b) all improvements except those specifically included in another class;

(c) all trailers and mobile homes used as permanent dwellings except:

(i) those held by a distributor or dealer of trailers or mobile homes as his stock in trade; and

(ii) those specifically included in another class;

(d) the first $35,000 or less of the market value of any improvement on real property or a trailer or mobile home used as a permanent dwelling and appurtenant land not exceeding 5 acres owned or under contract for deed and actually occupied for at least 10 months a year as the primary residential dwelling of:

(i) a widow or widower 62 years of age or older who qualifies under the income limitations of (iii) of this subsection;

(ii) a widow or widower of any age with dependent children who qualifies under the income limitations of (iii) of this subsection; or

(iii) a recipient or recipients of retirement or

disability benefits whose total income from all sources is not more than $7,000 for a single person or $8,000 for a married couple.

(2) Class four property is taxed as follows:

(a) Property described in subsections (1)(a) through (1)(c) is taxed at 8.55% of its market value.

(b) Property described in subsection (1)(d) is taxed at one-half the taxable percentage established in subsection (2)(a), or 4.275%.

NEW SECTION. Section 5. Class five property -- description -- taxable percentage. (1) Class five property includes:

(a) business inventories as defined in this section;

(b) all unprocessed agricultural products on the farm or in storage except:

(i) all perishable fruits and vegetables in farm storage and owned by the producer; and

(ii) livestock and poultry and the unprocessed products of both;

(c) all property used and owned by cooperative rural electrical and cooperative rural telephone associations organized under the laws of Montana, except property owned by cooperative organizations described in subsection (1)(c) of [section 6];

(d) air and water pollution control equipment as

defined in this section;

(e) truck campers, motor homes, and camping and travel trailers, including fifth-wheel trailers, owned by and actually used primarily by a person 60 years of age or older who:

(i) is retired from full employment; and

(ii) whose total income from all sources is not more than $7,000 for a single person or $8,000 for a married couple;

(f) new industrial property as defined in this section.

(2) "Business inventories" includes goods intended for sale or lease in the ordinary course of business and raw materials and work in progress with respect to such goods. Business inventories do not include goods leased or rented or mobile homes held by a dealer or distributor as part of his stock in trade. The market value of business inventories, for property tax purposes, is the cost to the person subject to the inventory tax.

(3) "Air and water pollution equipment" means facilities, machinery, or equipment used to abate or control water or atmospheric pollution or contamination by removing, altering, disposing, or storing pollutants, contaminants, wastes, or heat. The department of health and environmental sciences shall promulgate rules identifying equipment

meeting this definition.

(4) "New industrial property" means any new industrial plant, including land, buildings, machinery, and fixtures, used by new industries during the first 3 years of their operation. The property may not have been assessed within the state of Montana prior to July 1, 1961.

(5) (a) "New industry" means any person, corporation, firm, partnership, association, or other group that establishes a new plant in Montana for the operation of a new industrial endeavor, as distinguished from a mere expansion, reorganization, or merger of an existing industry.

(b) New industry includes only those industries that:

(i) manufacture, mill, mine, produce, process, or fabricate materials;

(ii) do similar work, employing capital and labor, in which materials unserviceable in their natural state are extracted, processed, or made fit for use or are substantially altered or treated so as to create commercial products or materials; or

(iii) engage in the mechanical or chemical transformation of materials or substances into new products in the manner defined as manufacturing in the 1972 Standard Industrial Classification Manual prepared by the United States office of management and budget.

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(6) New industrial property does not include:

(a) property used by retail or wholesale merchants, commercial services of any type, agriculture, trades, or professions;

(b) a plant that will create adverse impact on existing state, county, or municipal services; or

(c) property used or employed in any industrial plant that has been in operation in this state for 3 years or longer.

(7) Class five property is taxed at 3% of its market value.

NEW SECTION. Section 6. Class six property -- description -- taxable percentage. (1) Class six property includes:

(a) livestock, poultry, and unprocessed products of both;

(b) all property used and owned by persons, firms, corporations, or other organizations that are engaged in the business of furnishing telephone communications exclusively to rural areas or to rural areas and cities and towns of 800 persons or less;

(c) all property owned by cooperative rural electrical and cooperative rural telephone associations that serve less than 95% of the electricity consumers or telephone users within the incorporated limits of a city or town;

(d) electric transformers and meters; electric light and power substation machinery; natural gas measuring and regulating station equipment, meters, and compressor station machinery owned by centrally assessed public utilities; and tools used in the repair and maintenance of this property; and

(e) tools, implements, and machinery used to repair and maintain machinery not used for manufacturing and mining purposes.

(2) To qualify for this classification, the average circuit miles for each station on the telephone communication system described in subsection (1)(b) must be more than 1 1/4 miles.

(3) Class six property is taxed at 8% of its market value.

NEW SECTION. Section 7. Class seven property -- description -- taxable percentage. (1) Class seven property includes:

(a) all agricultural implements and equipment;

(b) all mining machinery, fixtures, equipment, tools, and supplies except:

(i) those included in class five; and

(ii) coal and ore haulers;

(c) all manufacturing machinery, fixtures, equipment, tools, and supplies except those included in class five;

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(d) motorcycles;

(e) watercraft;

(f) light utility and boat trailers;

(g) aircraft;

(h) snowmobiles and all-terrain vehicles;

(i) harness, saddlery, and other tack equipment; and

(j) all other machinery except that specifically included in another class.

(2) Class seven property is taxed at 11% of its market value.

NEW SECTION. Section 8. Class eight property -- description -- taxable percentage. (1) Class eight property includes:

(a) automobiles, buses, and trucks weighing 1 1/2 tons or less;

(b) stock, camping, and travel trailers;

(c) truck campers and toppers weighing more than 300 pounds, except those included in class five;

(d) motor homes except those included in class five;

(e) furniture, fixtures, and equipment, except that specifically included in another class, used in commercial establishments as defined in this section; and

(f) citizens' band radios and mobile telephones.

(2) "Commercial establishment" includes any hotel; motel; office; petroleum marketing station; or service,

wholesale, retail, or food-handling business.

(3) Class eight property is taxed at 13% of its market value.

NEW SECTION. Section 9. Class nine property -- description -- taxable percentage. (1) Class nine property includes moneyed capital and shares of banks.

(2) Class nine property is assessed and taxed as provided in chapter 24, part 5.

NEW SECTION. Section 10. Class ten property -- description -- taxable percentage. (1) Class ten property includes:

(a) radio and television broadcasting and transmitting equipment;

(b) cable television systems;

(c) centrally assessed utility allocations after deductions of locally assessed properties, except as provided in:

(i) class five for cooperative rural electrical and cooperative rural telephone associations; and

(ii) class six for rural telephone and electrical organizations;

(d) coal and ore haulers;

(e) trucks weighing more than 1 1/2 tons, including those prorated under 15-24-102;

(f) trailers, except those included in classes five,

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seven, or eight, including those prorated under 15-24-102;

(g) x-ray and specialized medical and dental equipment;

(h) theater projectors and sound equipment; and

(i) all other property not included in the preceding nine classes.

(2) Class ten property is taxed at 16% of its market value.

NEW SECTION. Section 11. Certain disabled veterans' residences exempt. (1) A residence, including the lot on which it is built, owned and occupied by a disabled veteran is exempt from property taxation under the following conditions. The owner must:

(a) have been honorably discharged from active service in any branch of the armed services;

(b) be rated 100% disabled due to a service-connected disability by the United States veterans administration or its successor; and

(c) have an annual income from all sources of not more than $7,000 for a single person and $8,000 for a married couple.

(2) If a veteran whose property has been eligible for this exemption dies, the property shall continue to be exempt so long as the surviving spouse:

(a) remains unmarried;

(b) is the owner and occupant of the house; and

(c) has a total annual income from all sources of not more than $7,000.

NEW SECTION. Section 12. Application for class five and certain class four classifications. (1) A person applying for classification of property described in subsection (1)(e) of [section 5] or subsection (1)(d) of [section 4] shall make an affidavit to the department of revenue, on a form provided by the department without cost, stating:

(a) his income;

(b) his retirement benefits;

(c) his marital status;

(d) the fact that he maintains the land and improvements as his primary residential dwelling, where applicable; and

(e) such other information as is relevant to the applicant's eligibility.

(2) This application must be made before March 1 of the year after the applicant becomes eligible.

(3) The affidavit is sufficient if the applicant signs a statement affirming the correctness of the information supplied, whether or not the statement is signed before a person authorized to administer oaths, and mails the application and statement to the department of revenue. This

signed statement shall be treated as a statement under oath or equivalent affirmation for the purposes of 45-7-202, relating to the criminal offense of false swearing.

NEW SECTION. Section 13. Application for classification as new industrial property. (1) Any person, firm, or other group seeking to qualify its property for classification as new industrial property under class five shall make application to the department of revenue on a form provided by the department.

(2) The department of revenue shall promulgate rules for the determination of what constitutes an adverse impact, taking into consideration the number of people to be employed and the size of the community in which the location of the industrial property is contemplated.

(3) If the department makes an initial determination that the industrial property qualifies as new industrial property under class five, it shall publish notice of and hold a public hearing to determine whether the property should retain this classification.

(4) Local taxing authority officials may waive their objections to the property's classification in class five if the owner of the new industrial property agrees to prepay property taxes on the property during the construction period. The maximum amount of prepayment shall be the amount of tax the owner would have paid on the property if

it had not been classified under class five.

(5) If a new industrial facility qualifies under class five, its property tax payment may not be reduced for reimbursement of its prepaid taxes as provided in 15-16-201 until the class five qualification expires.

Section 14. Section 15-1-101, MCA, is amended to read:

"15-1-101. Definitions. (1) When terms mentioned in this section are used in connection with taxation, they are defined in the following manner:

(a) The term "assessed value" means the value of property as defined in 15-8-111.

(b) The term "credit" means solvent debts, secured or unsecured, owing to a person.

(c) The term "improvements" includes all buildings, structures, fixtures, fences, and improvements situated upon, erected upon, or affixed to land. When the department of revenue or its agent determines that the permanency of location of a mobile home or housetrailer has been established, the mobile home or housetrailer is presumed to be an improvement to real property. If the mobile home or housetrailer is an improvement located on land not owned by the owner of such improvement, the improvement is assessed as a leasehold improvement to real property and delinquent taxes can be a lien only on the leasehold improvement.

(d) The term "mobile home" means forms of housing

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known as "trailers", "housetrailers", or "trailer coaches", exceeding 8 feet in width or 32 feet in length, designed to be moved from one place to another by an independent power connected to them.

(e) The term "personal property" includes everything that is the subject of ownership but that is not included within the meaning of the terms "real estate" and "improvements".

(f) The term "property" includes moneys, credits, bonds, stocks, franchises, and all other matters and things, real, personal, and mixed, capable of private ownership. This definition must not be construed to authorize the taxation of the stocks of any company or corporation when the property of such company or corporation represented by the stocks is within the state and has been taxed.

(g) The term "real estate" includes:

(i) the possession of, claim to, ownership of, or right to the possession of land;

(ii) all mines, minerals, and quarries in and under the land subject to the provisions of 15-23-501 and 15-23-801; all timber belonging to individuals or corporations growing or being on the lands of the United States; and all rights and privileges appertaining thereto.

(h) The term "taxable value" means the percentage of market or assessed value as provided for in ~~chapter 6, part~~

~~1~~ [sections 1 through 10 of this act].

(2) The phrase "municipal corporation" or "municipality" or "taxing unit" shall be deemed to include a county, city, incorporated town, township, school district, irrigation district, drainage district, or any person, persons, or organized body authorized by law to establish tax levies for the purpose of raising public revenue.

(3) The term "state board" or "board" when used without other qualification shall mean the state tax appeal board.

Section 15. Section 15-6-101, MCA, is amended to read:

"15-6-101. Property subject to taxation -- classification. (1) All property in this state is subject to taxation, except as provided otherwise.

(2) For the purpose of taxation, the taxable property in the state shall be classified in accordance with ~~15-6-102 through 15-6-121~~ [sections 1 through 10 of this act]."

Section 16. Section 15-7-202, MCA, is amended to read:

"15-7-202. Eligibility of land for valuation as agricultural. (1) Land which is actively devoted to agricultural use shall be eligible for valuation, assessment, and taxation as herein provided each year it meets either of the following qualifications:

(a) the area of such land is not less than 5 contiguous acres when measured in accordance with provisions

of 15-7-206, and it has been actively devoted to agriculture during the last growing season, and it continues to be actively devoted to agricultural use, which means:

(i) it is used to produce field crops including but not limited to grains, feed crops, fruits, vegetables; or

(ii) it is used for grazing; or

(iii) it is used for growing timber; or

~~(iii)~~(iv) it is in a cropland retirement program; or

(b) it agriculturally produces for sale or home consumption the equivalent of 15% or more of the owners' annual gross income regardless of the number of contiguous acres in the ownership.

(2) Land shall not be classified or valued as agricultural if it is subdivided with stated restrictions prohibiting its use for agricultural purposes.

(3) The grazing on land by a horse or other animals kept as a hobby and not as a part of a bona fide agricultural enterprise shall not be considered a bona fide agricultural operation."

Section 17. Section 15-8-111, MCA, is amended to read:

"15-8-111. Assessment -- market value standard -- exceptions. (1) All taxable property must be assessed at 100% of its market value except as provided in subsection (5) of this section and in 15-7-111 through 15-7-114.

(2) Market value is the value at which property would

change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of relevant facts.

(3) The department of revenue or its agents may not adopt a lower or different standard of value from market value in making the official assessment and appraisal of the value of property in ~~class one and classes seven through eighteen~~ subsection (1)(a) of [section 1], [sections 4 through 8], and [section 10]. For purposes of taxation, assessed value is the same as appraised value.

(4) The taxable value for all property in ~~class--one~~ subsection (1)(a) of [section 1], and classes ~~seven~~ four through ~~eighteen~~ eight, and class ten is the percentage of market value established for each class of property in ~~15-6-102 and 15-6-108~~ subsection (2)(a) of [section 1], [section 4] through ~~15-6-119~~ [section 8], and [section 10].

(5) The assessed value of properties in ~~15-6-103 through--15-6-107 and 15-6-120~~ subsection (1)(b) of [section 1], [section 2], [section 3], and [section 9] is as follows:

~~(a)--Property--in--15-6-106,--under--class---five,---is assessed--at--100%-of-book-value-by-the-method-established-in 15-6-106-and-the-sections-cited-therein.~~

~~(b)~~(a) Properties in ~~15-6-103~~ subsection (1)(b) of [section 1], under class ~~two~~ one, are assessed at 100% of the annual net proceeds after deducting the expenses

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specified and allowed by 15-23-503.

~~(c)~~(b) Properties in ~~15-6-104, 15-6-105, and 15-6-120,~~ [section 2] under ~~classes three, four, and nineteen~~ class two are assessed at 100% of the annual gross proceeds.

~~(d)~~(c) Properties in ~~15-6-107~~ [section 3], under class ~~six~~ three, are assessed at 100% of the productive capacity of the lands when valued for agricultural purposes. All lands that meet the qualifications of 15-7-202 are valued as agricultural lands for tax purposes.

(d) Property in [section 9], under class nine, is assessed as provided in part 5, chapter 24, Title 15.

(6) Land and the improvements thereon are separately assessed when any of the following conditions occur:

(a) ownership of the improvements is different from ownership of the land;

(b) the taxpayer makes a written request; or

(c) the land is outside an incorporated city or town.

(7) The taxable value of all property in subsection (1)(b) of [section 1] and classes two, ~~through six~~ three, and nine is the percentage of assessed value established in ~~15-6-103 through 15-6-107~~ subsection (2)(b) of [section 1] and [sections 2, 3, and 9] for each class of property.

Section 18. Section 15-23-501, MCA, is amended to read:

"15-23-501. Taxation of mines. All mines and mining

claims, both placer and rock in place, containing or bearing gold, silver, copper, lead, coal, or other valuable mineral deposits, after purchase thereof from the United States, shall be taxed ~~at the price paid the United States therefor unless the surface ground or some part thereof of such mine or claim is used for other than mining purposes and has a separate and independent value for such other purposes, in which case said surface ground or any part thereof so used for other than mining purposes shall be taxed at its full value for such other purposes~~ as all other land is taxed. All machinery used in mining and all property and surface improvements upon or appurtenant to mines and mining claims which have a value separate and independent of such mines or mining claims and the annual net proceeds of all mines and mining claims shall be taxed as other personal property."

Section 19. Section 15-23-505, MCA, is amended to read:

"15-23-505. Assessment of royalties. Upon receipt of the list or schedule setting forth the names and addresses of any and all persons owning or claiming royalty and the amount paid or yielded as royalty to the royalty owners or claimants during the year for which the return is made, the department of revenue shall proceed to assess and tax the royalties on the same basis as net proceeds of mines are taxed as provided by ~~15-6-103~~ [section 1 of this act]."

Section 20. Section 15-24-102, MCA, is amended to read:

"15-24-102. Valuation of interstate fleets -- determination of aggregate tax due. The department of revenue shall assess any interstate motor vehicle fleet making application for proportional registration as follows:

(1) The purchase price depreciated by a schedule as prescribed by the department shall determine the depreciated value.

(2) The depreciated value multiplied by the percent of miles traveled in Montana as prescribed by 61-3-721 shall be the assessed value.

(3) The sum of the assessed value of all vehicles included in the fleet multiplied by ~~12%~~ 16% shall be the taxable value for the entire fleet.

(4) To determine the amount of tax due, the taxable value of the entire fleet shall be multiplied by the statewide average county mill levy plus state levies as hereinafter provided."

Section 21. Section 15-24-301, MCA, is amended to read:

"15-24-301. Personal property brought into the state -- assessment -- exceptions -- custom combine equipment. (1) Property in the following cases is subject to taxation and assessment for all taxes levied that year in the county in

which it is located:

(a) any personal property (including livestock) brought, driven, or coming into this state at any time during the year that is used in the state for hire, compensation, or profit;

(b) property whose owner or user is engaged in gainful occupation or business enterprise in the state; or

(c) property which comes to rest and becomes a part of the general property of the state.

(2) The taxes on this property are levied in the same manner and to the same extent, except as otherwise provided, as though the property had been in the county on the regular assessment date, provided that the property has not been regularly assessed for the year in some other county of the state.

(3) Nothing in this section shall be construed to levy a tax against a merchant or dealer within this state on goods, wares, or merchandise brought into the county to replenish the stock of the merchant or dealer in addition to the tax levied against the inventory of said merchant or dealer on the regular assessment date.

(4) This section shall not apply to motor vehicles brought, driven, or coming into this state by any nonresident, migratory, bona fide agricultural workers temporarily employed in agricultural work in Montana if the

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motor vehicles are used exclusively for transportation of agricultural workers.

(5) Agricultural harvesting machinery classified under ~~classes eight and twelve~~ class seven, licensed in other states, and operated on the lands of persons other than the owner of the machinery under contracts for hire shall be subject to a fee in lieu of taxation of $35 per machine for a 60-day period. The machines shall be subject to taxation under ~~classes eight and twelve~~ class seven only if they are sold in Montana."

Section 22. Section 15-24-505, MCA, is amended to read:

"15-24-505. Taxation of state banks and shares of stock in. (1) Every state bank or banking corporation located and doing business in this state and every private banker doing business in this state shall be taxed upon the value of all real estate and personal property owned by the bank, banking corporation, or private banker, upon the moneyed capital employed in the business, and such moneyed capital to be ascertained as provided by ~~15-6-106~~ [section 9 of this act]. The cashier or secretary of every bank or banking corporation and every private banker shall furnish to the department of revenue or its agent in the county in which its or his bank is located, within 5 days after demand therefor, a statement verified by his oath showing all the

resources and liabilities of the bank as disclosed by its books at the close of business on December 31 of the preceding year. If the cashier, secretary, or private banker fails to make the statement, the department or its agent shall forthwith obtain the information from any other available source and for this purpose shall have access to the books of the bank, banking corporation, or private banker. The department or its agent shall thereupon make an assessment of the real estate and personal property owned by the bank, banking corporation, or private banker and of the moneyed capital employed in the business of the bank, banking corporation, or private banker. The assessment shall be as fair and equitable as can be made from the best information available. For the purpose of the assessment, the figures disclosed by any prior report made by the bank, banking corporation, or private banker to any state or federal officer pursuant to any state or federal law may be adopted. Any person required by this section to make the statement hereinabove provided who fails to furnish it shall be guilty of a misdemeanor and punished accordingly.

(2) All shares of stock in any bank or banking corporation shall be assessed at their full cash value, except to the extent that that value is represented in property which is assessable and taxable to the bank or banking corporation in this state, and shall be taxable to

the owners of the shares in the county, school district, city, town, or place where the bank or banking corporation is located, whether the owners of the shares are residents of such county, school district, city, town, or place.

(3) The cashier or secretary of any bank or banking corporation shall furnish to the department or its agent, upon demand, the name of each stockholder, with his residence and the number of shares belonging to him at the close of business on December 31 of the preceding year. If the cashier or secretary, for more than 5 days after the demand, fails to furnish such information, he is guilty of a misdemeanor and the department or its agent may obtain information from any other available source or from the books of the bank or banking corporation. For convenience, the assessment of the shares shall be entered on the personal property assessment list under the name of the bank or banking corporation concerned, but in the assessment list the names of the owners of such shares and the number of shares owned by each shall be set forth. The assessment, when so entered, has all the force and effect as if made in the names of the owners of the shares individually. The bank or banking corporation in which the shares are owned is liable for the payment of taxes assessed against the shares, and the taxes are payable by and collected from the bank or banking corporation in the same manner and under the same

penalties as other taxes. The bank or banking corporation may recover from the owners of shares any taxes paid on the shares and has a lien therefor upon the shares and upon any dividends accrued or to accrue thereon."

Section 23. Section 15-24-506, MCA, is amended to read:

"15-24-506. Banks in two or more counties -- apportionment of tax. Any state or national bank, banking corporation, or private bank, the stock, moneyed capital, or moneys and credits of which are subject to taxation under the provisions of this part and ~~chapter 6 of this title~~ [section 9 of this act] and which has banking offices in more than one county, shall furnish to the department of revenue or its agent in each such county the information required of it by this part, together with a statement of the book value of real estate owned and located in the respective counties and a statement of the deposit liability shown by the books of account of said bank at each of its banking offices at the close of business on December 31 of the preceding year. The aggregate tax on the stock, moneyed capital, and moneys and credits of such bank, computed as provided by law, shall be assessed by and be paid to the respective counties in the proportion which the amount of the deposit liability shown on the books of the office or offices of such bank located in such counties, respectively,

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shall bear to the total deposit liability of such bank."

Section 24. Section 15-24-1102, MCA, is amended to read:

"15-24-1102. Federal property held under contract of sale. When the property is held under a contract of sale or other agreement whereby upon payment the legal title is or may be acquired by the person, the real property shall be assessed and taxed as defined in ~~chapter 6, part 1~~ [sections 1 through 10] and 15-8-111 without deduction on account of the whole or any part of the purchase price or other sum due on the property remaining unpaid. The lien for the tax may not attach to, impair, or be enforced against any interest of the United States in the real property."

Section 25. Section 15-24-1103, MCA, is amended to read:

"15-24-1103. Federal property held under lease. When the property is held under lease, other interest, or estate therein less than the fee, except under contract of sale, the property shall be assessed and taxed as for the value, as defined in ~~chapter 6, part 1~~ [sections 1 through 10 of this act] of such leasehold, interest, or estate in the property and the lien for the tax shall attach to and be enforced against only the leasehold, interest, or estate in the property. When the United States authorizes the taxation of the property for the full assessed value of the fee

thereof, the property shall be assessed for full assessed value as defined in 15-8-111."

Section 26. Section 15-24-1308, MCA, is amended to read:

"15-24-1308. Land classified as industrial -- assessment provisions. (1) The governing body shall identify those lands within its jurisdiction whose highest and best purpose is determined to be industrial. Owners of existing industrial buildings and grounds under construction or undergoing expansion that increases the taxable value of the property 10% shall receive tax benefits or penalties based on their compliance with the land use categories established by the governing body. Improvements classified as "new industrial property" under ~~15-6-119~~ [section 5 of this act] may not qualify for benefits under this section. Industrial land and buildings shall be classified as Class A, B, C, or D for purposes of new construction or expansion of existing facilities.

(2) Tax benefits and penalties for new construction or expansion shall apply to the land and the improvements thereon in accordance with these classifications, determined by the governing body, based on compliance with the following environmental criteria. Construction of or expansion of industrial buildings and grounds:

(a) would not place unreasonable burden on existing

public services, such as highways, schools, and police and fire protection;

(b) would have sufficient water available for foreseeable needs;

(c) would meet existing air and water pollution requirements or that through reclamation the natural environment could be returned substantially to its original condition;

(d) would have adequate sewage and solid waste disposal facilities.

(3) Classes A, B, C, and D shall be determined and taxed as follows:

Class A--complies with criteria (2)(a) through (2)(d).

Class B--complies with criteria (2)(c) through (2)(d).

Class C--complies with criteria (2)(b) and (2)(d).

Class D--other than Class A, B, or C.

LAND CLASSIFICATION	INDUSTRIAL CLASSIFICATION			
	CLASS A	CLASS B	CLASS C	CLASS D
Residential	+ 50%	+100%	+150%	+200%
Commercial	- 25%	- 15%	-0-	+ 50%
Industrial	- 50%	- 30%	- 10%	+ 25%

The percentages above reflect the amount in addition (+) to the taxable value or less than (-) the taxable value. These percentages of taxable value shall be continuously applied to the land and the buildings for 10 consecutive

years following their construction. The construction period may not be taxed for new industrial construction or expansion of an existing industry except as provided in 15-24-1307(3) and (5). Beginning with the 11th year following construction, the percentage of taxable value shall be adjusted in equal increments until taxable value is attained in the 20th year. Thereafter, the property shall be taxed at 100% of taxable value."

Section 27. Section 15-24-1311, MCA, is amended to read:

15-24-1311. Remodeling of homes, buildings, or structures -- assessment provisions. (1) Remodeling of existing buildings or structures shall receive tax benefits ~~in lieu of those provided under 15-6-114,~~ during the construction period and for the following 5 years in accordance with the following schedule. These percentages shall be applied to any increase in taxable value caused by the remodeling:

Construction period	0%
First year following construction	20%
Second year following construction	40%
Third year following construction	60%
Fourth year following construction	80%
Fifth year following construction	100%
Following years	100%

HB 213

(2) If an existing home, building, or structure is not remodeled as defined in this chapter within the 10 years following passage of this act, a 5% increase shall be added to its taxable value each year that the owner fails to remodel to a maximum of 50%. After a home, building, or structure has been remodeled, the provisions of this section shall be considered to be started again with the beginning of a new 10-year period.

(3) The governing body shall waive the provisions of this section unless it can be demonstrated that lack of regular maintenance over a period of time has failed to maintain the value of the property and that depreciation has taken place to lower the value of the property more than 2 1/2%."

Section 28. Section 20-9-407, MCA, is amended to read:

"20-9-407. Industrial facility agreement for bond issue in excess of maximum. (1) In a school district within which a new major industrial facility which seeks to qualify for taxation as class ~~eighteen~~ five property under ~~15-6-119~~ [section 5 of this act] is being constructed or is about to be constructed, the school district may require, as a precondition of the new major industrial facility qualifying as class ~~eighteen~~ five property, that the owners of the proposed industrial facility enter into an agreement with the school district concerning the issuing of bonds in

excess of the 29% limitation prescribed in this section. Under such an agreement, the school district may, with the approval of the voters, issue bonds which exceed the limitation prescribed in this section by a maximum of 29% of the estimated taxable value of the property of the new major industrial facility subject to taxation when completed. The estimated taxable value of the property of the new major industrial facility subject to taxation shall be computed by the department of revenue when requested to do so by a resolution of the board of trustees of the school district. A copy of the department's statement of estimated taxable value shall be printed on each ballot used to vote on a bond issue proposed under this section.

(2) Pursuant to the agreement between the new major industrial facility and the school district and as a precondition to qualifying as class ~~eighteen~~ five property, the new major industrial facility and its owners shall pay, in addition to the taxes imposed by the school district on property owners generally, so much of the principal and interest on the bonds provided for under this section as represents payment on an indebtedness in excess of the limitation prescribed in this section. After the completion of the new major industrial facility and when the indebtedness of the school district no longer exceeds the limitation prescribed in this section, the new major

industrial facility shall be entitled, after all the current indebtedness of the school district has been paid, to a tax credit over a period of no more than 20 years. The credit shall as a total amount be equal to the amount which the facility paid the principal and interest of the school district's bonds in excess of its general liability as a taxpayer within the district.

(3) A major industrial facility is a facility subject to the taxing power of the school district, whose construction or operation will increase the population of the district, imposing a significant burden upon the resources of the district and requiring construction of new school facilities. A significant burden is an increase in ANB of at least 20% in a single year."

Section 29. Repealer. Sections 15-6-102 through 15-6-121 and 15-7-121, MCA, are repealed.

-End-

HB 222

STATE OF MONTANA

REQUEST NO. 52-79

FISCAL NOTE

Form BD-15

compliance with a written request received January 19, 19 79, there is hereby submitted a Fiscal Note House Bill 213 pursuant to Chapter 53, Laws of Montana, 1965 - Thirty-Ninth Legislative Assembly.

ckground information used in developing this Fiscal Note is available from the Office of Budget and Program Planning, to members the Legislature upon request.

DESCRIPTION

This bill is an act to generally revise the property tax classification system.

ASSUMPTIONS

1) The total taxable value of the state is:

FY79 (actual)	FY80(estimated)	FY81(estimated)
$1,568,246,354	$1,647,000,000	$1,729,000,000

2) The state levy for support of the university system will be 6 mills.
3) There will be no other levies for state purposes during the biennium.
4) The composition of the tax base will remain constant throughout the biennium so that the change observed in FY79 under the proposal (actual computation) would also occur in FY80 and FY81. (See results on attached sheet.)
5) Altering the classification system will entail no additional administrative costs.
6) Since act will not be effective until July 1, 1979, it will have no effect on the taxable values for FY80.

FISCAL IMPACT

	FY80	FY81
University Levy (6 mills)		
under current law	$ 9,882,000	$10,374,000
under proposed law	9,882,000	$10,206,978
Estimated Decrease	$ 0	($ 167,022)

FUND INFORMATION

University Levy		
under current law	$ 9,882,000	$10,374,000
under proposed law	9,882,000	10,206,978
Estimated Decrease	$ 0	($ 167,022)

EFFECT ON LOCAL GOVERNMENTS

The effects will vary from county to county and municipality to municipality depending on the size and composition of the tax base. A survey of the property values in eighteen cities revealed a decrease in taxable value averaging 1.74% using actual 1979 values. (Results on attached sheet.)

Richard L. Trauy for

BUDGET DIRECTOR
Office of Budget and Program Planning
Date: 1/25/79

(CONTINUED ON PAGE 2)

2d

County	Percentage Change
Beaverhead	-1.54%
Big Horn	-1.43%
Blaine	- .66%
Broadwater	-4.24%
Carbon	-1.45%
Carter	-1.33%
Cascade	-2.97%
Chouteau	-1.02%
Custer	-1.13%
Daniels	-1.71%
Dawson	-1.36%
Deerlodge	-3.36%
Fallon	- .56%
Fergus	-1.38%
Flathead	-2.04%
Gallatin	-2.0 %
Garfield	- .74%
Glacier	- .77%
Golden Valley	- .77%
Granite	-2.76%
Hill	-1.05%
Jefferson	-3.4 %
Judith Basin	- .67%
Lake	-1.42%
Lewis & Clark	-1.69%
Liberty	- .5 %
Lincoln	-4.58%
Madison	-1.65%
McCone	-1.09%
Meagher	-1.72%
Mineral	-3.0 %
Missoula	-2.61%
Musselshell	- .66%
Park	- .99%
Petroleum	- .74%
Phillips	-1.19%
Pondera	-1.45%
Powder River	- .16%
Powell	-3.37%
Prairie	-1.2 %
Ravalli	-1.74%
Richland	-1.63%
Roosevelt	-1.34%
Rosebud	- .7 %
Sanders	-2.44%
Sheridan	- .9 %
Silver Bow	-2.18%
Stillwater	- .83%
Sweet Grass	- .77%
Teton	-1.17%
Toole	- .88%
Treasure	-1.33%
Valley	-1.31%
Wheatland	-1.0 %
Wibaux	-1.24%
Yellowstone	-2.14%
STATE TOTAL	-1.69%
STATE TOTAL including change after state allocation of Co-op	-1.61%

Cities	Percentage Change
Choteau	-1.95%
Fairfield	-2.55%
Hardin	-1.45%
Havre	-1.49%
Lewistown	-1.74%
Glasgow	-1.6 %
Billings	-2.02%
Townsend	-1.61%
Jordan	-1.86%
Harlowton	-1.66%
Polson	-2.05%
Ronan	-2.9 %
Baker	-1.91%
Hamilton	-2.05%
Helena	-1.08%
Libby	-2.04%
Dillon	-1.48%
Glendive	-1.48%
CITIES TOTAL	-1.74%

PREPARED BY DEPARTMENT OF REVENUE

HOUSE TAXATION COMMITTEE

46th Legislature

Bill No.	Subject Matter	Date In	Sponsor	Hearing Date	Committee Action	Date Out
HB 188	To reduce the number of resident/ nonresident determinations to be made by DoR regarding public contractors; repeal 18-1-104, 18-1-105	1/16	Fagg	1/19	DO PASS	1/19
HB 210	Increasing cigarette tax 1¢ a pack and authorizing use of funds collected from this tax to fund a tumor registry & a telephone consumer health education project; amend 16-11-111, MCA.	1/17	Holmes	1/22	TABLED 2/2	
HB 213	At request of Revenue Oversight Committee to generally revise the property tax classification system. Amend and repeal many sections	1/17	Williams	2/12	Subcommittee 2/12 Williams, Chrmn. Fabrega, Dassinger AS AMENDED DO PASS	3/24
HB 221	Amend 15-30-122; provide for 15% standard deduction for income tax purposes for individuals and to increase maximum deduction to $1,000 for single and $2,000 joint.	1/17	Moore	3/16	AS AMENDED DO PASS Ret'd to Cmte. DO PASS	3/26 3/27
HB 252	To include multiple-unit housing projects w/certain criteria in class 15 for property tax purposes; amend 15-6-116; provide eff. date.	1/18	Harper	1/23	DO NOT PASS	2/1
HB 255	To exempt from income taxation private or corporate retirement benefits not in excess of certain amount; amend 15-30-111; providing an effective date.	1/18	Moore	1/23	Subcommittee 2/1 Johnson, Dozier, Underdal TABLED 2/5	

HOUSE TAXATION COMMITTEE

46th Legislature

Representative Herb Huennekens, Chairman, called the Taxation Committee to order at 8:30 a.m., February 12, 1979, in Room 434, Capitol Building, Helen Representatives Harrison Fagg and Dan Harrington were absent. Other member were present, as was Terry Cohea, legislative researcher.

House Bill 213, sponsored by Representative Melvin Williams, et al, was to l heard.

Representative Williams explained HB 213 would repeal the existing 20-class property taxation system of the state into a 10-class system. The taxable percentages are rounded to whole numbers in most cases. See attached charts showing existing property tax classification system and the classes proposed in House Bill 213.

HOUSE BILL 213

Please refer to opening statement made by Rep. Williams and the history of Montana property taxation which explains how HB 213 taxes property.

Rep. Williams feels there is a discrepancy in the fiscal note, since a 5% growth rate would not make for a 1.67% decrease as shown for 1981. He said 60% of property tax revenue goes for education in Montana.

Bill Asher, representing the Agricultural Preservation Association, supports HB 213.

Mons Teigen, representing Montana Stockgrowers Association and Montana Farm Bureau, Montana Farmers Union, and Montana WIFE, wants to see livestock moved from Class 6 to Class 5 in order to bring about equity in the field of taxation. See his proposed amendment attached.

Elmer D. Hanson, Montana Stockgrowers president, wants equal treatment in line with other classes. He feels cattle should be in the same classificatio as other agricultural goods. See his testimony.

Alice Fryslie, Montana Cattlemen's Association, Helena, supports HB 213 if the classification is changed from Class 6 to Class 5. She feels livestock should be taxed the same as a business inventory. See her testimony.

Paul Ringling, Montana Cattlemen's Association Vice President, supports HB 213 with an amendment to change from Class 6 to Class 5. See testimony.

Ray Gerringa, Montana Cattle Feeders' Association, Boyd, Montana, said people who buy cattle and keep them in feedlots want an amendment changing to Class 5. Supports HB 213 with such an amendment.

George Vogt, cattle rancher from Ravalli County, supports the proposed amendment to place cattle in Class 5. See his testimony attached.

Merlyn Haubein, Montana Retail Association, Helena, supports HB 213.

Bob Gilbert, Montana Wool Growers Association, Helena, supports HB 213 with Teigen's amendment putting livestock in Class 5.

Joe T. Helle, Dillon, cattle and sheep producer, member of Montana Woolgrowers Association, supports amendment to place livestock in Class 5. See testimony attached.

Keith Anderson, Montana Taxpayers Association, supports HB 213 if amendment to place livestock in Class 5 as proposed by Mr. Teigen is adopted. See testimony attached.

Jim Mockler, representing the Montana Coal Council, Helena, questions market value valuation. He thinks market value is as of the day when an item is sold, not after it has been completely refurbished. Stationary mining equipment and office fixtures are having inflation added to them and the equipment is valued at more than its cost. When they are through with their equipment, it is almost worthless - not much mining equipment is ever sold, it is used completely up. He also wants some language incorporated stating that equipment used exclusively for hauling coal and ore is taxed on the purpose for which it is used. Also wanted to know if a piece of equipment that is almost always used for purposes other than hauling, but does move ore or coal on occasion, is still regarded as heavy equipment.

Steve Williams, representing the Anaconda Company, introduced Donald R. Eamon, Senior Tax Representative of the Anaconda Company, Denver, Colorado. He offered extensive testimony and proposed amendments. See attached.

Don Allen, Montana Petroleum Association, is opposed to the bill. He wants to endorse the suggested amendments in the line of pollution equipment. He supports the Teigen amendment also. The change in crude supply and makeup of crude has caused some problems, and needs some clarification on abatement costs. Small refinery in Kevin closed because they could not afford to comply with pollution requirements. Mr. Mockler suggested nailing down actual value for inventory value and he endorses that concept.

Roger Tippy, representing the Montana Dental Association, is opposed to HB 213 classification of dental equipment. He introduced Jim Dunlap, D.D.S. Billings, Montana, representing the Montana Dental Association, who is opposed to HB 213 unless it is amended to show dental equipment placed in another class more relative to dental equipment.

Michael F. Barron, Diamond International Corporation, Coeur d'Alene, Idaho, spoke about the taxation of logs and timber as a business inventory. Their inventory is highest on January 1 as they are stockpiling logs for sawing later in the year. The loggers cannot haul logs when the weather is too bad. Cost of inventory also varies with type of timber cut. It varies from $1 to $20 per thousand, and those who cut a good deal of federal timber pay $150 to $200 per thousand. This makes for an inequity compared to other holders of business inventories. They are at their very highest inventory at the time of assessment.

Elroy Letcher, Montana Council of Cooperatives, Helena, supports HB 213, questioning fertilizer application equipment being proposed to be taxed at 11%. If the dealer owns it, it is taxed at 13%. Will they then be taxed at 16% because they are described as a truck? The intent is agricultural equipment whether they are owned by a farmer or dealer and wherever they are located. Does the intent change and will they be taxed commercially or as agricultural equipment? He supports the bill if equipment is taxed on the basis of usage. See testimony attached.

Opponents:

Dean Zinnecker, Director of Montana Association of Counties, Helena, said as taxes are dropped, the average homeowner has to pay more taxes. The reason the fiscal note doesn't show drastic loss is because 24 counties already lost tax basis last year. He recommends there being different classes of property: (a) Net proceeds; (b) Real property; (c) Inventory type of property; and possibly (d) Disabled persons; and (e) Centrally assessed type of property. He left a chart showing county mill values and percentage of increase or decrease for 1970-1979. See attached.

Al Thelen, manager of the City of Helena, representing the City Commission, said the bill reduces tax paid by some and increases it on others. Owners of real property will have to pick up what commercial properties do not pay. See testimony attached.

Representative Williams closed saying it was not the intent of the committee to make some major changes in taxation. The biggest changes were lowering the rate and not raising taxes. Normal annual growth is estimated at 5%. It is impossible to give every taxpayer the same break if we are going to operate under the property tax classification system. The biggest increase is in the inventory class, and biggest increase is 8.3% in a special class. See his closing statement.

Mons Teigen mentioned that bees are considered livestock. Because livestock values are about 48% higher, the loss in revenue would not be as much as might appear.

Rep. Sivertsen explained the reappraisal made some taxes go up, others go down, and some stayed the same. There was an overall increase of about 7% in state valuation. To accomplish tax reform, some changes will have to be made to accomplish equity. Cattle have provided a windfall revenue to gover ment more than others have - others have not been paying their full share. He thinks things will never stay the same and should not keep things status

Rep. Sivertsen asked Mr. Thelen to explain how he thought homeowner taxes would go up. Shifting from agriculture and industrial taxes, will lower the taxable value, and so the cities will have to raise their levies which affec homeowners in order to provide services demanded.

Rep. Gilligan asked Mr. Teigen when he wants to change classes on livestock if he would classify breeding stock in the same class as production equipmen Mr. Teigen said yes. Many farmers own more than one home. He hoped differe types of livestock would not be put in separate categories. Wants all types of livestock treated as what they are - not just as all cows - call a yearli a yearling, a two-year old a two-year old, etc.

Rep. Nordtvedt asked Terry Cohea how Class 3 agricultural taxed at 30% of productive value is figured. She explained productive value is figured from a very complex formula. She has tables showing this formula. Since land has been reclassified, perhaps the productive value is not now tied i Every piece of land in the state was actually looked at and evaluated last year. Land irrigated under the canal system and sprinkler system are valu differently.

Rep. Fabrega feels there is a discrepancy in cattle valuation since all other industries valuations are based on their commercial value. He sugge eliminating cattle tax and transferring the tax to the land where it is mc permanent and not subject to the fluctuations that occur in cattle cycles.

Mr. Teigen explained by eliminating cattle taxation, the burden would be p on the tax base remaining - land is there and is easily taxable. Agricult land is being classified and appraised on productivity basis. Market valu would practically drive cattle business to the large corporation and large operator - historic justification for going on the productivity basis. He opposes Rep. Fabrega's suggestion on the behalf of agriculture, and rec mends continuation of present taxing and raise millage levies. Wants to get it equitable. Mr. Teigen thought the idea of increasing the rate of productive values on land be used to eliminate tax on cattle could be a co sideration of the interim committee.

Rep. Sivertsen asked what the effect on persons leasing land would be if taxes were raised on the land. Who and what tax will they be paying?

Mr. Teigen responded saying this would place a burden on the private land- owner in comparison with persons using government land. Their organizatic does not advocate eliminating the cattle tax. Livestock has been carrying property tax burden since 1889, and he thinks if eliminated completely, th would not be fair - their goal is to provide equity.

Rep. Dassinger remarked that Montana uses the property tax classification system of taxation and change in the rates will basically affect budgets c local governments. To give everybody a tax break and to create tax equity you have a tough problem.

Rep. Sivertsen said broad-based taxation would make everyone pay their fa share of taxes and be more equitable. State and federal lands are paying 'in lieu' revenues for taxes at less rates than privately owned lands. He questions the consistency in broad-based tax field.

Dale Dean, Property Assessment Division of the Department of Revenue advis that in some counties productivity has increased, but the same rates for t same class of land have been used since 1968.

Rep. Bertelsen mentioned that in the inventory type of cattle tax, an own might be paying a high tax on cheap cattle, or a low tax on high-priced cattle since the rates do not apply at the same time on an animal invento When prices for livestock are high, income taxes also go up. Mr. Teigen feels this is a cost of production factor - if your income goes up, it is offset by a cost of production increase. Next year substantial revenues be paid into income tax as well as into state coffers as a result of the, hopefully, better prices on livestock.

Asked if he knew of any land leased for taxes, Mr. Teigen said yes.

Rep. Underdal raised the fact that the productivity value of land has be increased because of better technology, better farming practices, etc. - penalized by taxation for improving your business of farming.

Mr. Zinnecker said a decrease in property tax would effect county budget drastically, especially if the counties are at maximum millage levies. Without federal revenue sharing and in lieu taxes, budgets would have to be changed a great deal.

Rep. Fabrega questioned the rationale of Mr. Eamon regarding tax rate on certain vehicles compared with heavy trucks. Rep. Fabrega explained the full cash valuation was the loan value, and the loan value on heavy truck was a lot lower than on lighter trucks. That is why they are in differe classes. Mr. Eamon is to provide an explanation of his request to chang classifications.

Rep. Hirsch suggested a severance tax and do away with land taxes and the inventory tax by using such a severance tax. Mr. Dean said he had never heard such a tax discussed. The biggest problem with personal property taxes other than real property is getting all the other personal property on the tax rolls. The majority of counties use the honor system.

During executive session the committee discussed HB 213.

Meeting adjourned at 11:30 a.m.

Herb Huennekens

REPRESENTATIVE HERB HUENNEKENS, Cha

Josephine Fabiti

Secretary

TAXATION COMMITTEE - 8:30 A.M. 2/12/79

TESTIMONY HB 213
(Opening)

Mr. Chairman and Members of the Committee, I am Mel Williams, State Representative, and a member of your committee. HB 70.

I am not only testifying as chief sponsor but also as chairman of the sub-committee that designed and produced HB 213.

I would like to open my remarks this morning with a brief history of Property Tax Classification in Montana.

TAXATION COMMITTEE - Monday, 2/12/79

Testimony on HB 213 (Property Tax Classification)

OUTLINE OF TESTIMONY

1. History Montana Property Taxation.

2. Presentation of Classification in HB 213.
   Two Handouts - Tax classes in HB 213 and Tax Rates under currer tax law - in explaining what we did revising the classification I will be using a different table which includes the taxable values with % change. (Terry Cohea, Mantz Hutchinson & Dennis Burr)

3. Present Fiscal Note.

4. Sources and distribution of perperty taxes in Montana.

5. Mr. Chairman and members of Committee:
   I realize that this proposed HB 213 is not the perfect solution and that there is always room for improvement in anything - but I since believe we have made much progress in simplifying and possibly creating some equity in Montana Property Tax Classification System.

Taxation Committee - 8:30 a.m., 2/12/79

TESTIMONY HB 213

(Closing)

Mr. Chairman and Members of the Committee, I believe that I have preser a much improved and workable classification system for taxing property Montana.

I believe it simplifies and reduces the workload of assessors, reduced tape and paper work, and the overall workload of the Department of Reve and probably most important of all, it makes it easier for taxpayers to understand.

It was not the intent of the sub-committee to make any major change in the overall taxable value of property in Montana. It was the intent of the committee, however, that in accomplishing our two major objectives (1) that similar properties be taxed at the same rate, and (2) to reduc the number of classes, eliminate fractional tax rates and simplify the classification system - to lower rather than raise the tax rate if at all feasible.

As you review the Fiscal Note, I again point out that not one of the 56 counties was increased and the largest decrease in taxable value was Lincoln County with (-4.58%), statewide average is (-1.69%)

You will also note again in review that the survey of 18 cities showed a maximum decrease of (-2.55%) for Fairfield, Montana, with an average decrease of (-1.74%).

Finally, if you use the projected increase on the Fiscal Note for FY 19E reflecting the normal annual growth in taxable value, which about a 5% increase over 1980, the net result would be an overall increase and more than offset the decrease proposed in HB 213.

Also, I realize in order to accomplish our two major objectives, previou stated, that it was impossible to give every taxpayer the same break.

The percentage decrease in taxable value ranged from 0 to -28.6%.

The percentage increase in taxable value ranged from +0.2% to +8.3%.

I realize that it is difficult to say that this is truly tax equity, but I do believe HB 213 is another step in that direction.

53E.
3/17/79

HOUSE TAXATION COMMITTEE

46th Legislature

Chairman Herb Huennekens called the meeting to order at 8:30 a.m., March 17, 1979, in Room 434, Capitol Building, Helena, Montana. Representatives Gilligan, Harrington, and Vinger were absent. Rep. Nordtvedt was excused. Rep. Robbins also was absent. Randy McDonald, staff attorney was present.

SENATE BILL 200 - Rep. Reichert recommended Senate Bill 200 BE CONCURRED IN. Concurrence was unanimously adopted by all members present.

HOUSE BILL 275 - Rep. Fabrega made a motion that HB 275 BE TABLED. Rep. Gilligan by written vote voted No, all others approved tabling.

HOUSE BILL 161 - Rep. Fabrega moved HB 161 Do Pass. Amendments were discussed. Rep. Williams opposes the tax credit approach to tax relief. A home owner deducts tax and then the renter gets another deduction. This makes for a deduction twice.

Rep. Reichert thinks there should be a limit on the amount of rent paid. If people can afford to pay over $300 rent per month, they should not be allowed this credit.

Rep. Fagg made a substitute motion for all motions pending to TABLE HB 161. Rep. Huennekens advised we have until the Tuesday after next week to physically get bills through third reading. As long as we meet the Monday deadline, they can be moved immediately to third reading. We would have until next Friday, so we should consider this from the standpoint of the amount of money affected.

Rep. Fagg would just as soon wait and see what kind of package the committee could come up with.

Rep. Williams thinks an impact of $1,000 per person is a big impact, but it could be anywhere between $650 and $1,000. This income tax deduction would give renters a benefit.

Rep. Lien voted No on tabling HB 161. Motion carried - HB 161 was tabled.

Rep. Dozier feels money should not be taken away from local government. Senior citizens do not pay income tax usually, but they do pay property tax.

HOUSE BILL 297 - Rep. Fabrega moved HB 297 DO PASS. He wants just the land not to be taxed as high as the rest of the equipment, buildings, etc. He enjoys the greenness of a golf course or other such recreational park, and feels the aesthetic addition to a city should not be taxed at a high rate although the buildings, equipment, etc. should be taxed as other such things are.

Rep. Lien moved amendments which were adopted unanimously.

Rep. Dassinger opposes the motion because he feels these are used by wealthy people, and he can't justify in his own mind allowing a reduction in taxation on such recreation places.

Reps. Arlyne Reichert, Hirsch, and Fabrega voted No on the DO NOT PASS AS AMENDED motion. Motion carried - HB 372 would leave the committee with a DO NOT PASS AS AMENDED recommendation.

HOUSE BILL 397 - Rep. Lien asked what if the purchaser agrees that the land is going to be continued in agricultural use and the purchaser decides before five years that he is going to subdivide and doesn't feel he should have to pay the tax?

Rep. Huennekens, who sponsored HB 397, explained this bill protects the seller if he gets a notice from the purchaser that it is to be retained as agricultural land.

Rep. Williams thinks the wrong people have had to pay the roll-back tax.

Rep. Fabrega mentioned that a contract for deed usually includes a restriction that the purchaser cannot do anything with the land without the approval of the seller.

Rep. Hirsch said laws protecting the consumer are continually passed. He thinks that someone deciding to buy something, should be wise enough to know some of the implications of buying that land.

Rep. Fabrega advised that under this law it has been judged by the attorney general's office that the person finally building the house is the one who has been liable.

Rep. Fagg moved HB 397 DO PASS. There were No Noes.

HOUSE BILL 213 - Rep. Williams explained HB 213. The impact of haulers will affect Rosebud and Big Horn counties mostly. There would be revenue loss to both state and local governments. The committee discussed taxing of trucks. No action was taken on HB 213 at this time.

Meeting adjourned at 11:00 a.m.

Herb Huennekens
REP. HERB HUENNEKENS, Chairman

Secretary

56E
3/21/79

HOUSE TAXATION COMMITTEE

46th Legislature

The meeting was called to order on March 21, 1979, by Chairman Herb Huennekens, in Room 434, Capitol Building, Helena. All committee members were present, as was Staff Attorney, Randy McDonald.

This was an executive meeting. Bill Groff, Special Legislative Adviser for the Department of Revenue, and John Oitzinger, bonding attorney with Wilkie, Farr, and Gallagher of New York, were asked to explain the proposed committee bill on bond anticipation financing.

Bill Groff, chairman of the appropriations committee and Rep. Huennekens, discussed the problem the state has when school funds have to be distributed each quarter and the state does not have actual cash in that school foundation fund and has to borrow from some other state fund until the foundation fund has received money with which they can reimburse the fund from which they had borrowed.

At times the state is roughly $40 million in the red. Even if a tight budget is run, and the state doesn't overspend, the state will be short approximately $40 million for a period because of the way the money comes in. He presented a disbursement sheet showing how money comes in. They have the power to borrow from one fund and fund another. $11-12 million in the red now and if things tighten up, it gets worse.

They want to write a tax anticipation bond, but do not want a rollover procedure. The state has to pay all debts each year as a constitutional provision. All advantages are there in this. You can pick up on today's market $800,000 or more by using state anticipation bonds, if you maintain it so they cannot be rolled over. If the bond market goes to hell, can't do this any more and then will have to go back to the old method.

Mr. Oitzinger said Bill asked him to get involved in this and write a brief and straightforward piece of legislation limited to a 2-year limitation. All debt has to be paid each year according to the constitutional limitations. This bill is intended to operate within the constitutional limitation. That would be against an appropriated amount. It is necessary that it be adopted by a 2/3 vote of the House, would be readopted and reapproved by a 2/3 vote every biennium. There might be a couple of minor changes.

Dave Lewis, Department of Administration, explained the chart showing the general fund. Since 1972 have covered this shortage period with general fund surplus. We could liquidate investments from other funds or go out with these anticipation bonds.

Rep. Nordtvedt asked how much of a negative cash flow could be eliminated if people's wages and salaries were withheld properly. Could collect some under withholding.

Mr. Groff explained withholding is on a 90-day basis. January, February, March with the school foundation funds is where the problem arises.

Mr. Lewis explained the point of the bill is that we simply make a recommendation to the Board of Examiners, and want accountable people to put their name on this. It simply isn't up to us. There will be a builtin resistance to any wild money managing.

Rep. Dozier asked what if we find $50 million bonds are not producing enough revenue - are we going to have to go back and pay them off with other funds?

Mr. Groff explained money is brought in. You don't put $50 million out all at once; and should any indication that the money market would be going backwards, the bonds would not have to be bought.

Rep. Sivertsen thinks there is some safeguard built in when some top officials make the decisions - like in New York, it could snowball. He thinks some other safeguards should be built in.

Mr. Lewis said there is a potential for rollover here. We would go to other funds and borrow and pay it back next year. Borrowing from other funds has to be repaid by the end of the year.

Mr. Groff said this would be with a 2-year authorization. Say something happens and we are all broke - they would have to account to the legislature every two years.

Rep. Reichert asked how short can short-term be, and how long is long-term? Mr. Groff said up to one year is considered short-term. Has to be paid back every fiscal year and has to be paid back every year.

Mr. Oitzinger advised that in a period of rising interest rates, prices of long-term bonds tend to go down and can lose 10% of your money. To avoid a situation where they would be forced to liquidate long-term, could put into short-term. Don't know what structure of earmarked funds is, but there are permitted yields on certain investments. If you start playing around, that would be defeating your purpose in that respect.

Rep. Fabrega asked if tax anticipation bonds are written with a date certain. Mr. Groff said they would have to have a date certain. Rep. Fabrega asked what would happen if there were an abrupt change in the market. Mr. Groff said you would then buy them back at a discount.

Rep. Fabrega asked about the chart which shows there will be a negative effect. Mr. Lewis said based on past figures, they had to borrow $54 million. Mr. Crosser had to borrow about $2-3 million. Mr. Lewis had to borrow $7 million for the long-range building fund in 1979. $45 million will have to be borrowed for the next biennium.

HOUSE BILL 213 - Rep. Williams recommended a DO PASS motion. Rep. Lien moved to amend so that feedlot cattle are in Class V. Rep. Huennekens asked if he had any idea of cattle numbers that would fall into this category. Rep. Williams asked how long do cattle ordinarily stay in the feedlot? Rep. Burnett advised 90 to 120 days, less than 6 months. Rep. Williams said owners are only paying on those cattle for 6 months and pay only for 6 months and that would be only about 4% rate.

Rep. Sivertsen said livestock in feedlots are there for only 6 months. Businesses reduce their inventories at tax time and then restock.

Rep. Williams remarked you are paying on less than 6 months for all livestock that is in the feedlot.

Rep. Huennekens said you are on dangerous ground here. Don't know what effect it would have on local governments.

Rep. Sivertsen said he believes this amendment is to only include those cattle that are feeder cattle or only reproduction livestock. A lot of taxes will be realized from livestock this year because of increased value of cattle. Livestockmen have never tried to evade paying taxes and have always paid their fair share. Should give this some consideration.

Rep. Huennekens thought that if we are to treat cattle similar to inventory and capital investment in other industries, then other animals would have to be lifted to another level and by splitting the difference between the two categories, could reach a middle value.

Rep. Williams said it was agreed two years ago that livestock were being taxed too heavily and gave them a 60% reduction. It would be a mistake to try to tax cattle in two different classifications. Don't think the committee can make this decision without more information. Recommends the revenue oversight committee study this during the interim.

Dean Zinnecker said we are looking at approximately $150 million of assessed valuation. Rep. Huennekens figured that using 200 mills, there would be about a $15 million loss to local governments.

Rep. Lien said two years ago/they did not allow cattle a 60% reduction - they gave them a 40% reduction.

Rep. Lien made a motion to amend HB 213 and drop feeder cattle down into the 4% classification as the bill did read. After a bit of discussion, the motion failed by a roll call vote of 7-11.

Rep. Lien then moved that business inventories be raised from 4% to 8% classification. This motion also failed on a roll call vote of 6-12.

Rep. Fabrega moved to amend to include unprocessed agricultural products as business inventories from 4% to 8%. This would include grain. Motion failed on a roll call vote of 7-11.

Rep. Williams made a motion to DO PASS AS AMENDED HB 213. Motion was adopted unanimously. Rep. Harrington was absent.

Rep. Les Hirsch reported as chairman of the subcommittee on energy bills, that the subcommittee recommended tabling HB 216, HB 314, and HB 344. HB 884 was to be amended by taking the definition of solar energy out of this bill and placing it in HB 534 and then recommending HB 534 be passed. Rep. McBride asked that her bill go through in case HB 884 is not accepted in the Senate.

46th LEGISLATIVE SESSION

COMMITTEE ON TAXATION

HOUSE BILL NO.	ENTERED COMM.	DATE CONSIDERED	OUT OF COMM.	DO PASS DATE	DO NOT PASS DATE	DO PASS AS AMEND. DATE	BE CONCURRED IN DATE	BE CONC. IN AS AMENDED DATE	BE NOT CONCURRED IN DATE
45	1/25	3/2	TABLED	3/26					
60	2/8	3/5	3/10						3/10
63	2/16	3/5	3/14				3/14		
72	1/24	2/28	2/28				2/28		
73	1/24	2/28	TABLED	3/29					
80	1/27	3/1	3/1					3/1	
85	1/24	3/1	3/8				3/8		
94	2/15	3/1	3/1				3/1		
125	3/21	Transf. from Local Gov., Re-referred Finance & Claims 3/28							
128	2/8	2/28	2/28				2/28		
150	3/19	3/22	3/26					3/26 & St. of Intent	
181	2/21	3/7	3/17				3/17		
191	2/23	3/7	3/17				3/17		
213	3/28	4/2	4/5				4/5		
221	3/28	4/4	TABLED	4/17					
266	2/1	3/3	TABLED	4/5					

Use a separate sheet for Senate House Bills

HOUSE BILL NO. 213

INTRODUCED BY WILLIAMS, GOODOVER, YARDLEY, HUENNEKENS, FAGG, SIVERTSEN, GERKE, VINCENT, WATT, TOWE, TURNAGE, MATHERS, GALT, SCULLY, BENGTSON, DASSINGER, FASBENDER, STORY, FABREGA, KOLSTAD, LOWE, GRAHAM, HAZELBAKER, ROSKIE, O'HARA, DUSSAULT

BY REQUEST OF THE REVENUE OVERSIGHT COMMITTEE

A BILL FOR AN ACT ENTITLED: "AN ACT TO GENERALLY REVISE THE PROPERTY TAX CLASSIFICATION SYSTEM; AMENDING SECTIONS 15-1-101, 15-6-101, 15-7-202, 15-8-111, 15-23-501, 15-23-505, 15-24-102, 15-24-301, ~~15-24-505~~---~~15-24-506~~, 15-24-1102, 15-24-1103, 15-24-1308, 15-24-1311, AND 20-9-407; AND REPEALING SECTIONS 15-6-102 THROUGH 15-6-121 AND 15-7-121."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

NEW SECTION. Section 1. Class one property -- description -- taxable percentage. (1) Class one property includes:

(a) the right of entry that is a property right reserved in land or received by mesne conveyance (exclusive of leasehold interests), devise, or succession to enter land whose surface title is held by another to explore, prospect, or dig for oil, gas, coal, or minerals; and

(b) the annual net proceeds of all mines and mining claims except coal and metal mines.

(2) Class one property is taxed as follows:

(a) Property described in subsection (1)(a) is taxed at 100% of its market value, as determined by the department of revenue.

(b) Property described in subsection (1)(b) is taxed at 100% of its annual net proceeds after deducting the expenses specified and allowed by 15-23-503.

NEW SECTION. Section 2. Class two property -- description -- taxable percentage. (1) Class two property includes:

(a) the annual gross proceeds of metal mines;

(b) the annual gross proceeds of underground coal mines; and

(c) the annual gross proceeds of coal mines using the strip-mining method.

(2) Class two property is taxed as follows:

(a) Property described in subsection (1)(a) is taxed at 3% of its annual gross proceeds, as defined in 15-23-801.

(b) Property described in subsection (1)(b) is taxed at 33 1/3% of its annual gross proceeds.

(c) Property described in subsection (1)(c) is taxed at 45% of its annual gross proceeds.

NEW SECTION. Section 3. Class three property --

THIRD READING

description -- taxable percentage. (1) Class three property includes agricultural land as defined in 15-7-202.

(2) Class three property is taxed at 30% of its productive capacity.

NEW SECTION. Section 4. Class four property -- description -- taxable percentage. (1) Class four property includes:

(a) all land except that specifically included in another class;

(b) all improvements except those specifically included in another class;

(c) all trailers and mobile homes used as permanent dwellings except:

(i) those held by a distributor or dealer of trailers or mobile homes as his stock in trade; and

(ii) those specifically included in another class;

(d) the first $35,000 or less of the market value of any improvement on real property or a trailer or mobile home used as a permanent dwelling and appurtenant land not exceeding 5 acres owned or under contract for deed and actually occupied for at least 10 months a year as the primary residential dwelling of:

(i) a widow or widower 62 years of age or older who qualifies under the income limitations of (iii) of this subsection;

(ii) a widow or widower of any age with dependent children who qualifies under the income limitations of (iii) of this subsection; or

(iii) a recipient or recipients of retirement or disability benefits whose total income from all sources is not more than $7,000 for a single person or $8,000 for a married couple.

(2) Class four property is taxed as follows:

(a) Property described in subsections (1)(a) through (1)(c) is taxed at 8.55% of its market value.

(b) Property described in subsection (1)(d) is taxed at one-half the taxable percentage established in subsection (2)(a), or 4.275%.

NEW SECTION. Section 5. Class five property -- description -- taxable percentage. (1) Class five property includes:

~~(a)--business-inventories-as-defined-in--this--section~~

~~(b)--all--unprocessed-agricultural-products-on-the-farm or-in-storage-except~~

~~(i)--all--perishable--fruits--and--vegetables--in--farm storage-and-owned-by-the-producer~~-and

~~(ii)--livestock---and---poultry---and--the--unprocessed products-of-both~~

~~(c)~~(A) all property used and owned by cooperative rural electrical and cooperative rural telephone

associations organized under the laws of Montana, except property owned by cooperative organizations described in subsection (1)(c) of [section 6 I];

~~(d)~~(B) air and water pollution control equipment as defined in this section;

~~(e)~~(C) truck campers, motor homes, and camping and travel trailers, including fifth-wheel trailers, owned by and actually used primarily by a person 60 years of age or older who:

(i) is retired from full employment; and

(ii) whose total income from all sources is not more than $7,000 for a single person or $8,000 for a married couple;

~~(f)~~(D) new industrial property as defined in this section.

~~(2) "Business inventories" includes goods intended for sale or lease in the ordinary course of business and raw materials and work in progress with respect to such goods. Business inventories do not include goods leased or rented or mobile homes held by a dealer or distributor as part of his stock in trade. The market value of business inventories for property tax purposes is the cost to the person subject to the inventory tax.~~

~~(3)~~ "Air and water pollution equipment" means facilities, machinery, or equipment used to abate REDUCE or

control water or atmospheric pollution or contamination by removing, REDUCING, altering, disposing, or storing pollutants, contaminants, wastes, or heat. The department of health and environmental sciences shall ~~promulgate rules identifying equipment meeting this definition~~ DETERMINE IF SUCH UTILIZATION IS BEING MADE.

~~(4)~~(3) "New industrial property" means any new industrial plant, including land, buildings, machinery, and fixtures, used by new industries during the first 3 years of their operation. The property may not have been assessed within the state of Montana prior to July 1, 1961.

~~(5)~~(4) (a) "New industry" means any person, corporation, firm, partnership, association, or other group that establishes a new plant in Montana for the operation of a new industrial endeavor, as distinguished from a mere expansion, reorganization, or merger of an existing industry.

(b) New industry includes only those industries that:

(i) manufacture, mill, mine, produce, process, or fabricate materials;

(ii) do similar work, employing capital and labor, in which materials unserviceable in their natural state are extracted, processed, or made fit for use or are substantially altered or treated so as to create commercial products or materials; or

(iii) engage in the mechanical or chemical transformation of materials or substances into new products in the manner defined as manufacturing in the 1972 Standard Industrial Classification Manual prepared by the United States office of management and budget.

~~(6)~~(5) New industrial property does not include:

(a) property used by retail or wholesale merchants, commercial services of any type, agriculture, trades, or professions;

(b) a plant that will create adverse impact on existing state, county, or municipal services; or

(c) property used or employed in any industrial plant that has been in operation in this state for 3 years or longer.

~~(7)~~(6) Class five property is taxed at 3% of its market value.

SECTION 6. THERE IS A NEW MCA SECTION THAT READS:

Class six property -- description -- taxable percentage. (1) Class six property includes:

(a) business inventories as defined in this section;

(b) all unprocessed agricultural products on the farm or in storage except:

(i) all perishable fruits and vegetables in farm storage and owned by the producer; and

(ii) livestock and poultry and the unprocessed products

of both.

(2) "Business inventories" includes goods intended for sale or lease in the ordinary course of business and raw materials and work in progress with respect to such goods. Business inventories do not include goods leased or rented or mobile homes held by a dealer or distributor as part of his stock in trade. The market value of business inventories, for property tax purposes, is the cost to the person subject to the inventory tax.

(3) Class six property is taxed at 4% of its market value.

NEW SECTION. Section 7. Class ~~six~~ SEVEN property -- description -- taxable percentage. (1) Class ~~six~~ SEVEN property includes:

(a) livestock, poultry, and unprocessed products of both;

(b) all property used and owned by persons, firms, corporations, or other organizations that are engaged in the business of furnishing telephone communications exclusively to rural areas or to rural areas and cities and towns of 800 persons or less;

(c) all property owned by cooperative rural electrical and cooperative rural telephone associations that serve less than 95% of the electricity consumers or telephone users within the incorporated limits of a city or town;

(d) electric transformers and meters; electric light and power substation machinery; natural gas measuring and regulating station equipment, meters, and compressor station machinery owned by centrally assessed public utilities; and tools used in the repair and maintenance of this property; and

(e) tools, implements, and machinery used to repair and maintain machinery not used for manufacturing and mining purposes.

(2) To qualify for this classification, the average circuit miles for each station on the telephone communication system described in subsection (1)(b) must be more than 1 1/4 miles.

(3) Class ~~six~~ SEVEN property is taxed at 8% of its market value.

NEW SECTION. Section 8. Class seven EIGHT property -- description -- taxable percentage. (1) Class seven EIGHT property includes:

(a) all agricultural implements and equipment;

(b) all mining machinery, fixtures, equipment, tools, and supplies except:

(i) those included in class five; and

(ii) coal and ore haulers;

(c) all manufacturing machinery, fixtures, equipment, tools, and supplies except those included in class five;

(d) motorcycles;

(e) watercraft;

(f) light utility and boat trailers;

(g) aircraft;

(h) snowmobiles and all-terrain vehicles;

(i) harness, saddlery, and other tack equipment; and

(j) all other machinery except that specifically included in another class.

(2) Class seven EIGHT property is taxed at 11% of its market value.

NEW SECTION. Section 9. Class ~~eight~~ NINE property -- description -- taxable percentage. (1) Class ~~eight~~ NINE property includes:

(a) automobiles, buses, and trucks weighing 1 1/2 tons or less;

(b) stock, camping, and travel trailers;

(c) truck campers and toppers weighing more than 300 pounds, except those included in class five;

(d) motor homes except those included in class five;

(e) furniture, fixtures, and equipment, except that specifically included in another class, used in commercial establishments as defined in this section; and

(F) X-RAY AND MEDICAL AND DENTAL EQUIPMENT; AND

~~(f)~~(G) citizens' band radios and mobile telephones.

(2) "Commercial establishment" includes any hotel;

motel; office; petroleum marketing station; or service, wholesale, retail, or food-handling business.

(3) Class ~~eight~~ NINE property is taxed at 13% of its market value.

~~NEW SECTION. Section 10. Class nine property description -- taxable percentage. (1) Class nine property includes moneyed capital and shares of banks.~~

~~(2) Class nine property is assessed and taxed as provided in chapter 24, part 5.~~

NEW SECTION. Section 10. Class ten property -- description -- taxable percentage. (1) Class ten property includes:

(a) radio and television broadcasting and transmitting equipment;

(b) cable television systems;

(c) centrally assessed utility allocations after deductions of locally assessed properties, except as provided in:

(i) class five for cooperative rural electrical and cooperative rural telephone associations; and

(ii) class ~~six~~ SEVEN for rural telephone and electrical organizations;

(d) coal and ore haulers;

(e) trucks weighing more than 1 1/2 tons, including those prorated under 15-24-102;

(f) trailers, except those included in classes five, ~~seven or eight~~ EIGHT, OR NINE, including those prorated under 15-24-102;

~~(g) x-ray and specialized medical and dental equipment~~

~~(h)~~ (G) theater projectors and sound equipment; and

~~(i)~~ (H) all other property not included in the preceding nine classes.

(2) Class ten property is taxed at 16% of its market value.

NEW SECTION. Section 11. Certain disabled veterans' residences exempt. (1) A residence, including the lot on which it is built, owned and occupied by a disabled veteran is exempt from property taxation under the following conditions. The owner must:

(a) have been honorably discharged from active service in any branch of the armed services;

(b) be rated 100% disabled due to a service-connected disability by the United States veterans administration or its successor; and

(c) have an annual income from all sources of not more than $7,000 for a single person and $8,000 for a married couple.

(2) If a veteran whose property has been eligible for this exemption dies, the property shall continue to be

exempt so long as the surviving spouse:

(a) remains unmarried;

(b) is the owner and occupant of the house; and

(c) has a total annual income from all sources of not more than $7,000.

NEW SECTION. Section 12. Application for class five and certain class four classifications. (1) A person applying for classification of property described in subsection ~~(1)(e)~~ (1)(c) of [section 5] or subsection (1)(d) of [section 4] shall make an affidavit to the department of revenue, on a form provided by the department without cost, stating:

(a) his income;

(b) his retirement benefits;

(c) his marital status;

(d) the fact that he maintains the land and improvements as his primary residential dwelling, where applicable; and

(e) such other information as is relevant to the applicant's eligibility.

(2) This application must be made before March 1 of the year after the applicant becomes eligible.

(3) The affidavit is sufficient if the applicant signs a statement affirming the correctness of the information supplied, whether or not the statement is signed before a

person authorized to administer oaths, and mails the application and statement to the department of revenue. This signed statement shall be treated as a statement under oath or equivalent affirmation for the purposes of 45-7-202, relating to the criminal offense of false swearing.

NEW SECTION. Section 13. Application for classification as new industrial property. (1) Any person, firm, or other group seeking to qualify its property for classification as new industrial property under class five shall make application to the department of revenue on a form provided by the department.

(2) The department of revenue shall promulgate rules for the determination of what constitutes an adverse impact, taking into consideration the number of people to be employed and the size of the community in which the location of the industrial property is contemplated.

(3) If the department makes an initial determination that the industrial property qualifies as new industrial property under class five, it shall publish notice of and hold a public hearing to determine whether the property should retain this classification.

(4) Local taxing authority officials may waive their objections to the property's classification in class five if the owner of the new industrial property agrees to prepay property taxes on the property during the construction

period. The maximum amount of prepayment shall be the amount of tax the owner would have paid on the property if it had not been classified under class five.

(5) If a new industrial facility qualifies under class five, its property tax payment may not be reduced for reimbursement of its prepaid taxes as provided in 15-16-201 until the class five qualification expires.

Section 14. Section 15-1-101, MCA, is amended to read:

"15-1-101. Definitions. (1) When terms mentioned in this section are used in connection with taxation, they are defined in the following manner:

(a) The term "assessed value" means the value of property as defined in 15-8-111.

(b) The term "credit" means solvent debts, secured or unsecured, owing to a person.

(c) The term "improvements" includes all buildings, structures, fixtures, fences, and improvements situated upon, erected upon, or affixed to land. When the department of revenue or its agent determines that the permanency of location of a mobile home or housetrailer has been established, the mobile home or housetrailer is presumed to be an improvement to real property. If the mobile home or housetrailer is an improvement located on land not owned by the owner of such improvement, the improvement is assessed as a leasehold improvement to real property and delinquent

taxes can be a lien only on the leasehold improvement.

(d) The term "mobile home" means forms of housing known as "trailers", "housetrailers", or "trailer coaches", exceeding 8 feet in width or 32 feet in length, designed to be moved from one place to another by an independent power connected to them.

(e) The term "personal property" includes everything that is the subject of ownership but that is not included within the meaning of the terms "real estate" and "improvements".

(f) The term "property" includes moneys, credits, bonds, stocks, franchises, and all other matters and things, real, personal, and mixed, capable of private ownership. This definition must not be construed to authorize the taxation of the stocks of any company or corporation when the property of such company or corporation represented by the stocks is within the state and has been taxed.

(g) The term "real estate" includes:

(i) the possession of, claim to, ownership of, or right to the possession of land;

(ii) all mines, minerals, and quarries in and under the land subject to the provisions of 15-23-501 and 15-23-801; all timber belonging to individuals or corporations growing or being on the lands of the United States; and all rights and privileges appertaining thereto.

(h) The term "taxable value" means the percentage of market or assessed value as provided for in chapter 6, part 1 [sections 1 through 10 of this act].

(2) The phrase "municipal corporation" or "municipality" or "taxing unit" shall be deemed to include a county, city, incorporated town, township, school district, irrigation district, drainage district, or any person, persons, or organized body authorized by law to establish tax levies for the purpose of raising public revenue.

(3) The term "state board" or "board" when used without other qualification shall mean the state tax appeal board.

Section 15. Section 15-6-101, MCA, is amended to read:

"15-6-101. Property subject to taxation -- classification. (1) All property in this state is subject to taxation, except as provided otherwise.

(2) For the purpose of taxation, the taxable property in the state shall be classified in accordance with ~~15-6-102 through 15-6-121~~ [sections 1 through 10 of this act]."

Section 16. Section 15-7-202, MCA, is amended to read:

"15-7-202. Eligibility of land for valuation as agricultural. (1) Land which is actively devoted to agricultural use shall be eligible for valuation, assessment, and taxation as herein provided each year it meets either of the following qualifications:

(a) the area of such land is not less than 5 contiguous acres when measured in accordance with provisions of 15-7-206, and it has been actively devoted to agriculture during the last growing season, and it continues to be actively devoted to agricultural use, which means:

(i) it is used to produce field crops including but not limited to grains, feed crops, fruits, vegetables; or

(ii) it is used for grazing; or

(iii) it is used for growing timber; or

~~(iii)~~(iv) it is in a cropland retirement program; or

(b) it agriculturally produces for sale or home consumption the equivalent of 15% or more of the owners' annual gross income regardless of the number of contiguous acres in the ownership.

(2) Land shall not be classified or valued as agricultural if it is subdivided with stated restrictions prohibiting its use for agricultural purposes.

(3) The grazing on land by a horse or other animals kept as a hobby and not as a part of a bona fide agricultural enterprise shall not be considered a bona fide agricultural operation."

Section 17. Section 15-8-111, MCA, is amended to read:

"15-8-111. Assessment -- market value standard -- exceptions. (1) All taxable property must be assessed at 100% of its market value except as provided in subsection

(5) of this section and in 15-7-111 through 15-7-114.

(2) Market value is the value at which property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of relevant facts.

(3) The department of revenue or its agents may not adopt a lower or different standard of value from market value in making the official assessment and appraisal of the value of property in ~~class one and classes seven through eighteen~~ subsection (1)(a) of [section 1], AND [sections 4 through 8] ~~, and section 10~~. For purposes of taxation, assessed value is the same as appraised value.

(4) The taxable value for all property in ~~class one~~ subsection (1)(a) of [section 1], and AND classes seven four through ~~eighteen eight, and class ten~~ is the percentage of market value established for each class of property in ~~15-6-102 and 15-6-108~~ subsection (2)(a) of [section 1], AND [section 4] through ~~15-6-119~~ [section 8], ~~and section 10~~.

(5) The assessed value of properties in ~~15-6-103 through 15-6-107 and 15-6-120~~ subsection (1)(b) of [section 1], [section 2], AND [section 3], ~~and section 9~~ is as follows:

~~(a) Property in 15-6-106, under class five, is assessed at 100% of book value by the method established in 15-6-106 and the sections cited therein.~~

~~(b)~~ (a) Properties in ~~15-6-103~~ subsection (1)(b) of [section 1], under class two one, are assessed at 100% of the annual net proceeds after deducting the expenses specified and allowed by 15-23-503.

~~(c)~~ (b) Properties in ~~15-6-104, 15-6-105, and 15-6-120~~ [section 2] under ~~classes three, four, and nineteen~~ class two are assessed at 100% of the annual gross proceeds.

~~(d)~~ (c) Properties in ~~15-6-107~~ [section 3], under class ~~six~~ three, are assessed at 100% of the productive capacity of the lands when valued for agricultural purposes. All lands that meet the qualifications of 15-7-202 are valued as agricultural lands for tax purposes.

~~(d) Property in [section 9], under class nine, is assessed as provided in part 5, chapter 24, Title 15.~~

(6) Land and the improvements thereon are separately assessed when any of the following conditions occur:

(a) ownership of the improvements is different from ownership of the land;

(b) the taxpayer makes a written request; or

(c) the land is outside an incorporated city or town.

(7) The taxable value of all property in subsection (1)(b) of [section 1] and classes two, AND through ~~six three, and nine~~ is the percentage of assessed value established in ~~15-6-103 through 15-6-107~~ subsection (2)(b) of [section 1] and [sections 2, AND 3, and 9] for each class

of property.

Section 18. Section 15-23-501, MCA, is amended to read:

"15-23-501. Taxation of mines. All mines and mining claims, both placer and rock in place, containing or bearing gold, silver, copper, lead, coal, or other valuable mineral deposits, after purchase thereof from the United States, shall be taxed ~~at the price paid the United States therefor unless the surface ground or some part thereof of such mine or claim is used for other than mining purposes and has a separate and independent value for such other purposes, in which case said surface ground or any part thereof so used for other than mining purposes shall be taxed at its full value for such other purposes~~ as all other land is taxed. All machinery used in mining and all property and surface improvements upon or appurtenant to mines and mining claims which have a value separate and independent of such mines or mining claims and the annual net proceeds of all mines and mining claims shall be taxed as other personal property."

Section 19. Section 15-23-505, MCA, is amended to read:

"15-23-505. Assessment of royalties. Upon receipt of the list or schedule setting forth the names and addresses of any and all persons owning or claiming royalty and the amount paid or yielded as royalty to the royalty owners or

claimants during the year for which the return is made, the department of revenue shall proceed to assess and tax the royalties on the same basis as net proceeds of mines are taxed as provided by ~~15-6-103~~ [section 1 of this act]."

Section 20. Section 15-24-102, MCA, is amended to read:

"15-24-102. Valuation of interstate fleets -- determination of aggregate tax due. The department of revenue shall assess any interstate motor vehicle fleet making application for proportional registration as follows:

(1) The purchase price depreciated by a schedule as prescribed by the department shall determine the depreciated value.

(2) The depreciated value multiplied by the percent of miles traveled in Montana as prescribed by 61-3-721 shall be the assessed value.

(3) The sum of the assessed value of all vehicles included in the fleet multiplied by ~~12%~~ 16% shall be the taxable value for the entire fleet.

(4) To determine the amount of tax due, the taxable value of the entire fleet shall be multiplied by the statewide average county mill levy plus state levies as hereinafter provided."

Section 21. Section 15-24-301, MCA, is amended to read:

"15-24-301. Personal property brought into the state -- assessment -- exceptions -- custom combine equipment. (1) Property in the following cases is subject to taxation and assessment for all taxes levied that year in the county in which it is located:

(a) any personal property (including livestock) brought, driven, or coming into this state at any time during the year that is used in the state for hire, compensation, or profit;

(b) property whose owner or user is engaged in gainful occupation or business enterprise in the state; or

(c) property which comes to rest and becomes a part of the general property of the state.

(2) The taxes on this property are levied in the same manner and to the same extent, except as otherwise provided, as though the property had been in the county on the regular assessment date, provided that the property has not been regularly assessed for the year in some other county of the state.

(3) Nothing in this section shall be construed to levy a tax against a merchant or dealer within this state on goods, wares, or merchandise brought into the county to replenish the stock of the merchant or dealer in addition to the tax levied against the inventory of said merchant or dealer on the regular assessment date.

(4) This section shall not apply to motor vehicles brought, driven, or coming into this state by any nonresident, migratory, bona fide agricultural workers temporarily employed in agricultural work in Montana if the motor vehicles are used exclusively for transportation of agricultural workers.

(5) Agricultural harvesting machinery classified under ~~classes eight and twelve~~ class seven EIGHT, licensed in other states, and operated on the lands of persons other than the owner of the machinery under contracts for hire shall be subject to a fee in lieu of taxation of $35 per machine for a 60-day period. The machines shall be subject to taxation under ~~classes eight and twelve~~ class seven EIGHT only if they are sold in Montana."

~~Section 22. Section 15-24-505, MCA, is amended to read:~~

~~"15-24-505. Taxation of state banks and shares of stock in. (1) Every state bank or banking corporation located and doing business in this state and every private banker doing business in this state shall be taxed upon the value of all real estate and personal property owned by the bank, banking corporation, or private banker, upon the moneyed capital employed in the business, and such moneyed capital to be ascertained as provided by 15-6-106 [section 9 of this act]. The cashier or secretary of every bank or~~

banking corporation and every private banker shall furnish to the department of revenue or its agent in the county in which its or his bank is located within 5 days after demand therefor a statement verified by his oath showing all the resources and liabilities of the bank as disclosed by its books at the close of business on December 31 of the preceding year. If the cashier, secretary, or private banker fails to make the statement, the department or its agent shall forthwith obtain the information from any other available source and for this purpose shall have access to the books of the bank, banking corporation, or private banker. The department or its agent shall thereupon make an assessment of the real estate and personal property owned by the bank, banking corporation, or private banker and of the moneyed capital employed in the business of the bank, banking corporation, or private banker. The assessment shall be as fair and equitable as can be made from the best information available. For the purpose of the assessment, the figures disclosed by any prior report made by the bank, banking corporation, or private banker to any state or federal officer pursuant to any state or federal law may be adopted. Any person required by this section to make the statement hereinabove provided who fails to furnish it shall be guilty of a misdemeanor and punished accordingly.

(2) All shares of stock in any bank or banking

corporation shall be assessed at their full cash value, except to the extent that that value is represented in property which is assessable and taxable to the bank or banking corporation in this state, and shall be taxable to the owners of the shares in the county, school district, city, town, or place where the bank or banking corporation is located, whether the owners of the shares are residents of such county, school district, city, town, or place.

(3) The cashier or secretary of any bank or banking corporation shall furnish to the department or its agent, upon demand, the name of each stockholder, with his residence and the number of shares belonging to him at the close of business on December 31 of the preceding year. If the cashier or secretary, for more than 5 days after the demand, fails to furnish such information, he is guilty of a misdemeanor, and the department or its agent may obtain information from any other available source or from the books of the bank or banking corporation. For convenience, the assessment of the shares shall be entered on the personal property assessment list under the name of the bank or banking corporation concerned, but in the assessment list the names of the owners of such shares and the number of shares owned by each shall be set forth. The assessment, when so entered, has all the force and effect as if made in the names of the owners of the shares individually. The bank

~~or banking corporation in which the shares are owned is liable for the payment of taxes assessed against the shares, and the taxes are payable by and collected from the bank or banking corporation in the same manner and under the same penalties as other taxes. The bank or banking corporation may recover from the owners of shares any taxes paid on the shares and has a lien therefor upon the shares and upon any dividends accrued or to accrue thereon.~~

~~Section 23. Section 15-24-506, MCA, is amended to read:~~

~~"15-24-506. Banks in two or more counties -- apportionment of tax. Any state or national bank, banking corporation, or private bank, the stock, moneyed capital, or moneys and credits of which are subject to taxation under the provisions of this part and chapter 6 of this title [section 9 of this act] and which has banking offices in more than one county, shall furnish to the department of revenue or its agent in each such county the information required of it by this part, together with a statement of the book value of real estate owned and located in the respective counties and a statement of the deposit liability shown by the books of account of said bank at each of its banking offices at the close of business on December 31 of the preceding year. The aggregate tax on the stock, moneyed capital, and moneys and credits of such bank, computed as~~

~~provided by law, shall be assessed by and be paid to the respective counties in the proportion which the amount of the deposit liability shown on the books of the office or offices of such bank located in such counties, respectively, shall bear to the total deposit liability of such bank.~~"

Section 22. Section 15-24-1102, MCA, is amended to read:

"15-24-1102. Federal property held under contract of sale. When the property is held under a contract of sale or other agreement whereby upon payment the legal title is or may be acquired by the person, the real property shall be assessed and taxed as defined in ~~chapter 6, part 1,~~ [sections 1 through 10] and 15-8-111 without deduction on account of the whole or any part of the purchase price or other sum due on the property remaining unpaid. The lien for the tax may not attach to, impair, or be enforced against any interest of the United States in the real property."

Section 23. Section 15-24-1103, MCA, is amended to read:

"15-24-1103. Federal property held under lease. When the property is held under lease, other interest, or estate therein less than the fee, except under contract of sale, the property shall be assessed and taxed as for the value, as defined in ~~chapter 6, part 1,~~ [sections 1 through 10 of this act] of such leasehold, interest, or estate in the

property and the lien for the tax shall attach to and be enforced against only the leasehold, interest, or estate in the property. When the United States authorizes the taxation of the property for the full assessed value of the fee thereof, the property shall be assessed for full assessed value as defined in 15-8-111."

Section 24. Section 15-24-1308, MCA, is amended to read:

"15-24-1308. Land classified as industrial -- assessment provisions. (1) The governing body shall identify those lands within its jurisdiction whose highest and best purpose is determined to be industrial. Owners of existing industrial buildings and grounds under construction or undergoing expansion that increases the taxable value of the property 10% shall receive tax benefits or penalties based on their compliance with the land use categories established by the governing body. Improvements classified as "new industrial property" under ~~15-6-119~~ [section 5 of this act] may not qualify for benefits under this section. Industrial land and buildings shall be classified as Class A, B, C, or D for purposes of new construction or expansion of existing facilities.

(2) Tax benefits and penalties for new construction or expansion shall apply to the land and the improvements thereon in accordance with these classifications, determined

by the governing body, based on compliance with the following environmental criteria. Construction of or expansion of industrial buildings and grounds:

(a) would not place unreasonable burden on existing public services, such as highways, schools, and police and fire protection;

(b) would have sufficient water available for foreseeable needs;

(c) would meet existing air and water pollution requirements or that through reclamation the natural environment could be returned substantially to its original condition;

(d) would have adequate sewage and solid waste disposal facilities.

(3) Classes A, B, C, and D shall be determined and taxed as follows:

Class A--complies with criteria (2)(a) through (2)(d).

Class B--complies with criteria (2)(c) through (2)(d).

Class C--complies with criteria (2)(b) and (2)(d).

Class D--other than Class A, B, or C.

LAND CLASSIFICATION	INDUSTRIAL CLASSIFICATION			
	CLASS A	CLASS B	CLASS C	CLASS D
Residential	+ 50%	+100%	+150%	+200%
Commercial	- 25%	- 15%	-0-	+ 50%
Industrial	- 50%	- 30%	- 10%	+ 25%

The percentages above reflect the amount in addition (+) to the taxable value or less than (-) the taxable value. These percentages of taxable value shall be continuously applied to the land and the buildings for 10 consecutive years following their construction. The construction period may not be taxed for new industrial construction or expansion of an existing industry except as provided in 15-24-1307(3) and (5). Beginning with the 11th year following construction, the percentage of taxable value shall be adjusted in equal increments until taxable value is attained in the 20th year. Thereafter, the property shall be taxed at 100% of taxable value."

Section 25. Section 15-24-1311, MCA, is amended to read:

15-24-1311. Remodeling of homes, buildings, or structures -- assessment provisions. (1) Remodeling of existing buildings or structures shall receive tax benefits ~~in--lieu--of--those--provided--under--15-6-114,~~ during the construction period and for the following 5 years in accordance with the following schedule. These percentages shall be applied to any increase in taxable value caused by the remodeling:

Construction period	0%
First year following construction	20%
Second year following construction	40%

Third year following construction	60%
Fourth year following construction	80%
Fifth year following construction	100%
Following years	100%

(2) If an existing home, building, or structure is not remodeled as defined in this chapter within the 10 years following passage of this act, a 5% increase shall be added to its taxable value each year that the owner fails to remodel to a maximum of 50%. After a home, building, or structure has been remodeled, the provisions of this section shall be considered to be started again with the beginning of a new 10-year period.

(3) The governing body shall waive the provisions of this section unless it can be demonstrated that lack of regular maintenance over a period of time has failed to maintain the value of the property and that depreciation has taken place to lower the value of the property more than 2 1/2%."

Section 26. Section 20-9-407, MCA, is amended to read:

"20-9-407. Industrial facility agreement for bond issue in excess of maximum. (1) In a school district within which a new major industrial facility which seeks to qualify for taxation as class ~~eighteen~~ five property under ~~15-6-119~~ [section 5 of this act] is being constructed or is about to be constructed, the school district may require, as a

precondition of the new major industrial facility qualifying as class ~~eighteen~~ five property, that the owners of the proposed industrial facility enter into an agreement with the school district concerning the issuing of bonds in excess of the 29% limitation prescribed in this section. Under such an agreement, the school district may, with the approval of the voters, issue bonds which exceed the limitation prescribed in this section by a maximum of 29% of the estimated taxable value of the property of the new major industrial facility subject to taxation when completed. The estimated taxable value of the property of the new major industrial facility subject to taxation shall be computed by the department of revenue when requested to do so by a resolution of the board of trustees of the school district. A copy of the department's statement of estimated taxable value shall be printed on each ballot used to vote on a bond issue proposed under this section.

(2) Pursuant to the agreement between the new major industrial facility and the school district and as a precondition to qualifying as class ~~eighteen~~ five property, the new major industrial facility and its owners shall pay, in addition to the taxes imposed by the school district on property owners generally, so much of the principal and interest on the bonds provided for under this section as represents payment on an indebtedness in excess of the

limitation prescribed in this section. After the completion of the new major industrial facility and when the indebtedness of the school district no longer exceeds the limitation prescribed in this section, the new major industrial facility shall be entitled, after all the current indebtedness of the school district has been paid, to a tax credit over a period of no more than 20 years. The credit shall as a total amount be equal to the amount which the facility paid the principal and interest of the school district's bonds in excess of its general liability as a taxpayer within the district.

(3) A major industrial facility is a facility subject to the taxing power of the school district, whose construction or operation will increase the population of the district, imposing a significant burden upon the resources of the district and requiring construction of new school facilities. A significant burden is an increase in ANB of at least 20% in a single year."

Section 27. Repealer. Sections 15-6-102 through 15-6-121 and 15-7-121, MCA, are repealed.

-End-

MINUTES OF THE MEETING
TAXATION COMMITTEE
MONTANA STATE SENATE

April 2, 1979

The sixty-fourth meeting of the Taxation Committee was held the above date in Room 415 of the State Capitol Building with Ch man Turnage presiding.

ROLL CALL: Roll call found all the members present. Witnes contributing testimony, oral and written, are listed on the encl Register.

CONSIDERATION OF HOUSE BILL 213: Representative Williams wa present to explain this bill and said he was Chairman of the sub-committee that designed the bill. He gave some background on pr perty tax classification systems and how such division came abou He explained the way the bill would revise existing system, by r ducing number of classes from 20 to 10; would create whole numbe taxable percentages; and exempt certain veterans' residences fro taxation. He said there would be very small fiscal impact; the bill would be easier to interpret; the bill would also be simple for the Department of Revenue to administrate.

Following his presentation the Chairman asked for further pr ponents and Mr. Tippy responded as a proponent, favoring the amer ments adopted in the House, including dental equipment, for whic group he was lobbying. Mr. Mockler also spoke as a proponent an presented an amendment of the Statement of Intent, see Exh. #1, a tached. Mr. Williams, representing the Anaconda Company, presen his testimony and recommended amendments, also attached, see Exh. He stated his agreement with much of the testimony, and wanted t clude coal and ore haulers into Class 9, changed from Class 10. Phillips stated his concurrence with remarks of other witnesses w respect to the classification of coal and ore haulers. The new c sification would result in approximately a 50% increase of taxes be paid. He also said he would prefer using the wholesale prices opposed to the retail prices in valuing this equipment. Mr. Nels also testified that he appreciated the efforts made by the sub-c tee to reduce the number of property tax classifications. He s land and land improvements are not at 8.55% to produce taxable v and he said he would hope that some effort would be made to conti the schedule as was done in HB70.

Senator Severson was also a proponent of the bill and said he had worked on the sub-committee which put the bill together. He amendments to propose, see Exh. #3. He recommended also moving l stock and business inventories into the same class. Classificati #7, he stated, would do what the mining interests have asked for. also said his amendments would address a problem he long had felt in need of attention, that of assessments being made on motor ve He included his recommendations, see #7 of the proffered amendme Exh. #3.

Mr. Zinnecker stated his support for the bill as it passed t House. He said he favored only 4 or 5 classes although he reali this would cause increases to some people, decreases to others.

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proponent of the bill, Rosemary Strope, Montana Chamber of Commerce, also spoke and said she endorsed Mr. Nelson's testimony favoring moving business inventories back to Class 5.

Chairman Turnage then called for other proponents, or opponents and Mr. Dowling of the Railroad Association said he would like to have railroad properties as presented in HB524.

Rep. Williams then made his closing statement and said he appreciated the remarks by Mr. Zinnecker regarding the smaller number of classes. He said the bill was not designed to lower or raise taxes, but rather an attempt to fix classifications. He did not feel agriculture needed any additional tax breaks, as he said the cattlemen were given a reduction of 40% in 1977. He said SB184 and HB365 were attempts to deal with vehicle taxes which he agreed, was a complex problem. He said the sub-committee had attempted to put like property in like classes and had spent many hours on the bill.

Following his closing statement the committee asked a number of questions, and following, hearing on HB213 was closed.

CONSIDERATION OF HOUSE BILL 398: Representative Huennekins said this bill would revise the qualifications for the class 15 property by basing income on adjusted gross income from federal returns, and also would create a sliding scale for tax rate on a.g.i., and put the market value in excess of $35,000 of a qualified person's dwelling, in class 11. He said people with modest incomes needed consideration as there is still a continuing inequity. There were no other proponents of the bill and after the Chairman called for other witnesses, Representative Fabrega also spoke concerning the bill, of which he was cosponsor. He said class 15 would now be taxed at 8.55% and went on to further explain the use of the multipliers in the schedule.

Following Rep. Huennekins' closing the committee asked a number of questions. He said there would be some impact on local governments and a break for those below $6,000 income and an increase for those above, thus the sliding scale. It was pointed out the scale was to be based on the millage in the district where the property was located. This concluded the hearing on HB398.

CONSIDERATION OF HOUSE BILL 400: This also was Rep. Huennekins' bill and would limit the taxable value of a residence to 5% of its true market value, with 'true market value' defined as the current year's value. He said the bill puts a ceiling on taxes of residential property and deals with true market value of the current year, and what relationship there is between taxable value to the current true value of the individual's home. He said it would also give a taxpayer a basis for an appeal. Rep. Fabrega testified briefly for the bill also.

The Chairman asked for additional witnesses, pro and against, and there being none, opened the meeting for questions. Senator Watt questioned the sponsor regarding the difference in HB400 and SB145. Rep. Huennekins replied he did not belief residential property should be grouped with other property for taxation purposes. Within the law it is not used for any other purpose, therefore it has the sole purpose of habitation and should be taxed therefore, accordingly, he continued.

Date APR. 2, 197

ROLL CALL

SENATE TAXATION COMMITTEE

46th LEGISLATIVE SESSION - 1979

NAME	PRESENT	ABSENT	EXCUSED
SEN. GOODOVER (Vice Chairman)	✓		
SEN. BROWN	✓		
SEN. HAGER	✓		
SEN. MANLEY	✓		
SEN. MANNING	✓		
SEN. McCOLLUM	✓		
SEN. NORMAN	✓		
SEN. ROSKIE	✓		
SEN. SEVERSON	✓		
SEN. TOWE	✓		
SEN. WATT	✓		
CHAIRMAN TURNAGE	✓		

Each Day Attach to Minutes.

H.B 213, 398, 400, 643, 534, 821

DATE APR 2 - 1979

COMMITTEE ON TAXATION

VISITORS' REGISTER

NAME	REPRESENTING	BILL #	Check One: Support	Oppose
Ronald Pague	Alternative Energy Resources Organization	HB534	X	
Ed Nelson	Mont Taxpayers Assoc	HB 213	X	
Ed Nelson	" " "	HB 400		X
Gerhard Knudsen	Dept Natural Resources	HB 534	X	
Steve Williams	Anaconda Co.	HB 218	X w amendments	
Ed McCallum	Bozeman Co	H.B 643		X
Jim Mockler	Mont Coal Council	HB 213	✓	
Les Lobe	M D U	HB 643	amend	
Gene Phillips	Pacific Power & Light Northwestern Telephone	HB 643	✓	
Gene Phillips	ASARCO Decker Coal / UERCO	HB 213	Amend	
Tom Dowling	Mont R R Assn	H.B 213	Amend	
Tom Dowling	"	HB 643		

(Please leave prepared statement with

STATE OF MONTANA

REQUEST NO. 52-79

FISCAL NOTE

Form BD-15

In compliance with a written request received April 2, 19 79, there is hereby submitted a Fiscal Note for Amended House Bill 213 pursuant to Chapter 53, Laws of Montana, 1965 - Thirty-Ninth Legislative Assembly.

Background information used in developing this Fiscal Note is available from the Office of Budget and Program Planning, to members of the Legislature upon request.

DESCRIPTION

This proposed bill would revise the property tax classification system.

ASSUMPTIONS

1) The total taxable value of the state is:

FY 79 (actual)	FY80 (Estimated)	FY81 (Estimated)
$1,568,246,354	$1,647,000,000	$1,729,000,000

2) The state levy for the support of the university system will be 6 mills.

3) The average statewide levy for local governments will be 200 mills.

4) There will be no other levies for state purposes during the biennium.

5) The composition of the tax base will remain constant throughout the biennium so that the change observed in FY 79 under the proposal (actual computation) would also occur in FY 80 & FY 81.

6) Altering the classification system will entail no additional administrative costs.

7) Since the act will not be effective until July 1, 1979, it will have no effect on the taxable values for FY 80.

FISCAL IMPACT

	FY80	FY81
University Levy (6 mills)		
under current law	$ 9,882,000 M	$10,374,000 M
under proposed law	9,882,000 M	10,260,000 M
Estimated Decrease	($ 0 M)	($ 114,000 M)

FUND INFORMATION

University Levy		
under current law	$ 9,882,000 M	$10,374,000 M
under proposed law	9,882,000 M	10,260,000 M
Estimated Decrease	($ 0 M)	($ 114,000 M)

EFFECT ON LOCAL GOVERNMENT

The proposed legislation would have no impact in FY 80, but it would decrease revenues to local governments by approximately $3,800,000 in FY 81.

(Prepared by the Department of Revenue)

Richard A. Dana for

BUDGET DIRECTOR

Office of Budget and Program Planning

Date: 7/3/79

MINUTES OF THE MEETING
TAXATION COMMITTEE
MONTANA STATE SENATE

April 5, 1979

The sixty-eighth meeting of the Taxation Committee was called to order on the above date in Room 415 of the State Capitol Building with Chairman Turnage presiding; this was the 8 o'clock a.m. meeting.

ROLL CALL: Roll call found all the members present.

First up for the committee's consideration and discussion, was HB303 by Rep. Nordtvedt. This income tax indexing bill was again discussed by the committee and they agreed on adopting the Department of Revenue's recommendation to make the bill applicable also to those who use the fiscal year as well as the calendar years, in computing their taxes. This Amendment was Carried on motion by Senator Roskie.

They also discussed amending the bill to include setting time to compute the consumer price index. This amendment was moved by Sen. Towe and carried.

Senator Goodover then Moved HB303 As Amended, Be Concurred In. Motion carried. Senators Towe and Watt voted "No".

Next up for consideration was HB213 to revise property tax classification. Here the committee discussed again the vehicle fee system which had come up for considerable discussion. Mr. Burr of the Revenue Department was present to provide information as to the fiscal impact of the rate changes being considered by the committee. After the discussion, Senator Severson made the following motion:

Sen. Severson Moved the committee request a resolution be adopted relative to the Administrative Code Rule concerning the book value of motor vehicles as outlined. His motion carried, Sen. Roskie voting "No" and Researcher Terry Cohea was instructed to draw up such a resolution.

HB213 was again discussed and Senator Goodover moved the amendments previously made to HB213 be removed. The motion carried by roll call vote, 8-3. Note absence here of Sen. Brown.

Sen. Goodover then Moved HB213 Be Concurred In. Motion carried. Note here, "No" vote cast by Sen. Manley; Sens. Brown and Roskie gone.

HB643 was then up for discussion and Mr. Morrison of the Department of Revenue was present to answer questions of the committee. A number of amendments had been considered by the committee and these were discussed in detail. Senator Towe Moved the Adoption of the amendments from Mr. Gannon of Montana Power. This motion carried.

The bill, dealing with centrally assessed utilities, was discussed

Date APR. 5, 1979

ROLL CALL

SENATE TAXATION COMMITTEE

46th LEGISLATIVE SESSION - 1979

NAME	PRESENT	ABSENT	EXCUSED
SEN. GOODOVER (Vice Chairman)	✓		
SEN. BROWN	✓		
SEN. HAGER	✓		
SEN. MANLEY	✓		
SEN. MANNING	✓		
SEN. McCOLLUM	✓		
SEN. NORMAN	✓		
SEN. ROSKIE	✓		
SEN. SEVERSON	✓		
SEN. TOWE	✓		
SEN. WATT	✓		
CHAIRMAN TURNAGE	✓		

Each Day Attach to Minutes.

(1)

SENATE COMMITTEE TAXATION

Date 4-5-79 Room Bill No. 213 Time 8:35

NAME	YES	NO
SEN. GOODOVER (Vice Chairman)	X	
SEN. BROWN Absent		
SEN. HAGER	X	
SEN. MANLEY	X	
SEN. MANNING	X	
SEN. McCOLLUM		X
SEN. NORMAN	X	
SEN. ROSKIE	X	
SEN. SEVERSON		X
SEN. TOWE		X
SEN. WATT	X	
CHAIRMAN TURNAGE	X	
	8	3

Nita Fjeseth
Secretary

Jean A. Turnage
Chairman

Motion: Mr Chairman I move favorable report HB 213 (Main Capital Fac. Act)

(include enough information on motion--put with yellow copy of committee report.)

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STANDING COMMITTEE REPORT

April 5 19 79

MR. President

We, your committee on Taxation

having had under consideration House Bill No. 213

Respectfully report as follows: That House Bill No. 213

BE CONCURRED IN

DO PASS

JEAN A. TURNAGE
Chairman.

STATE PUB. CO.
Helena, Mont.

HOUSE BILL NO. 213

INTRODUCED BY WILLIAMS, GOODOVER, YARDLEY, HUENNEKENS, FAGG, SIVERTSEN, GERKE, VINCENT, WATT, TOWE, TURNAGE, MATHERS, GALT, SCULLY, BENGTSON, DASSINGER, FASBENDER, STORY, FABREGA, KOLSTAD, LOWE, GRAHAM, HAZELBAKER, ROSKIE, O'HARA, DUSSAULT

BY REQUEST OF THE REVENUE OVERSIGHT COMMITTEE

A BILL FOR AN ACT ENTITLED: "AN ACT TO GENERALLY REVISE THE PROPERTY TAX CLASSIFICATION SYSTEM; AMENDING SECTIONS 15-1-101, 15-6-101, 15-7-202, 15-8-111, 15-23-501, 15-23-505, 15-24-102, 15-24-301, ~~15-24-505~~, ~~15-24-506~~, 15-24-1102, 15-24-1103, 15-24-1308, 15-24-1311, AND 20-9-407, MCA; AND REPEALING SECTIONS 15-6-102 THROUGH 15-6-121 AND 15-7-121, MCA."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

NEW SECTION. Section 1. Class one property -- description -- taxable percentage. (1) Class one property includes:

(a) the right of entry that is a property right reserved in land or received by mesne conveyance (exclusive of leasehold interests), devise, or succession to enter land whose surface title is held by another to explore, prospect, or dig for oil, gas, coal, or minerals; and

(b) the annual net proceeds of all mines and mining claims except coal and metal mines.

(2) Class one property is taxed as follows:

(a) Property described in subsection (1)(a) is taxed at 100% of its market value, as determined by the department of revenue.

(b) Property described in subsection (1)(b) is taxed at 100% of its annual net proceeds after deducting the expenses specified and allowed by 15-23-503.

NEW SECTION. Section 2. Class two property -- description -- taxable percentage. (1) Class two property includes:

(a) the annual gross proceeds of metal mines;

(b) the annual gross proceeds of underground coal mines; and

(c) the annual gross proceeds of coal mines using the strip-mining method.

(2) Class two property is taxed as follows:

(a) Property described in subsection (1)(a) is taxed at 3% of its annual gross proceeds, as defined in 15-23-801.

(b) Property described in subsection (1)(b) is taxed at 33 1/3% of its annual gross proceeds.

(c) Property described in subsection (1)(c) is taxed at 45% of its annual gross proceeds.

NEW SECTION. Section 3. Class three property --

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description -- taxable percentage. (1) Class three property includes agricultural land as defined in 15-7-202.

(2) Class three property is taxed at 30% of its productive capacity.

NEW SECTION. Section 4. Class four property -- description -- taxable percentage. (1) Class four property includes:

(a) all land except that specifically included in another class;

(b) all improvements except those specifically included in another class;

(c) all trailers and mobile homes used as permanent dwellings except:

(i) those held by a distributor or dealer of trailers or mobile homes as his stock in trade; and

(ii) those specifically included in another class;

(d) the first $35,000 or less of the market value of any improvement on real property or a trailer or mobile home used as a permanent dwelling and appurtenant land not exceeding 5 acres owned or under contract for deed and actually occupied for at least 10 months a year as the primary residential dwelling of:

(i) a widow or widower 62 years of age or older who qualifies under the income limitations of (iii) of this subsection;

(ii) a widow or widower of any age with dependent children who qualifies under the income limitations of (iii) of this subsection; or

(iii) a recipient or recipients of retirement or disability benefits whose total income from all sources is not more than $7,000 for a single person or $8,000 for a married couple.

(2) Class four property is taxed as follows:

(a) Property described in subsections (1)(a) through (1)(c) is taxed at 8.55% of its market value.

(b) Property described in subsection (1)(d) is taxed at one-half the taxable percentage established in subsection (2)(a), or 4.275%.

NEW SECTION. Section 5. Class five property -- description -- taxable percentage. (1) Class five property includes:

~~(a) business inventories as defined in this section~~

~~(b) all unprocessed agricultural products on the farm or in storage except~~

~~(i) all perishable fruits and vegetables in farm storage and owned by the producer; and~~

~~(ii) livestock and poultry and the unprocessed products of both~~

~~(c)~~ (A) all property used and owned by cooperative rural electrical and cooperative rural telephone

associations organized under the laws of Montana, except property owned by cooperative organizations described in subsection (1)(c) of [section 6 I];

~~(d)~~(B) air and water pollution control equipment as defined in this section;

~~(e)~~(C) truck campers, motor homes, and camping and travel trailers, including fifth-wheel trailers, owned by and actually used primarily by a person 60 years of age or older who:

(i) is retired from full employment; and

(ii) whose total income from all sources is not more than $7,000 for a single person or $8,000 for a married couple;

~~(f)~~(D) new industrial property as defined in this section.

~~(2) "Business inventories" includes goods intended for sale or lease in the ordinary course of business and raw materials and work in progress with respect to such goods. Business inventories do not include goods leased or rented or mobile homes held by a dealer or distributor as part of his stock in trade. The market value of business inventories for property tax purposes is the cost to the person subject to the inventory tax.~~

~~(3)~~ "Air and water pollution equipment" means facilities, machinery, or equipment used to ~~abate~~ REDUCE or

control water or atmospheric pollution or contamination by removing, REDUCING, altering, disposing, or storing pollutants, contaminants, wastes, or heat. The department of health and environmental sciences shall ~~promulgate rules identifying equipment meeting this definition~~ DETERMINE IF SUCH UTILIZATION IS BEING MADE.

~~(4)~~(3) "New industrial property" means any new industrial plant, including land, buildings, machinery, and fixtures, used by new industries during the first 3 years of their operation. The property may not have been assessed within the state of Montana prior to July 1, 1961.

~~(5)~~(4) (a) "New industry" means any person, corporation, firm, partnership, association, or other group that establishes a new plant in Montana for the operation of a new industrial endeavor, as distinguished from a mere expansion, reorganization, or merger of an existing industry.

(b) New industry includes only those industries that:

(i) manufacture, mill, mine, produce, process, or fabricate materials;

(ii) do similar work, employing capital and labor, in which materials unserviceable in their natural state are extracted, processed, or made fit for use or are substantially altered or treated so as to create commercial products or materials; or

(iii) engage in the mechanical or chemical transformation of materials or substances into new products in the manner defined as manufacturing in the 1972 Standard Industrial Classification Manual prepared by the United States office of management and budget.

~~(6)~~(5) New industrial property does not include:

(a) property used by retail or wholesale merchants, commercial services of any type, agriculture, trades, or professions;

(b) a plant that will create adverse impact on existing state, county, or municipal services; or

(c) property used or employed in any industrial plant that has been in operation in this state for 3 years or longer.

~~(7)~~(6) Class five property is taxed at 3% of its market value.

SECTION 6. THERE IS A NEW MCA SECTION THAT READS:

Class six property -- description -- taxable percentage. (1) Class six property includes:

(a) business inventories as defined in this section;

(b) all unprocessed agricultural products on the farm or in storage except:

(i) all perishable fruits and vegetables in farm storage and owned by the producer; and

(ii) livestock and poultry and the unprocessed products

of both.

(2) "Business inventories" includes goods intended for sale or lease in the ordinary course of business and raw materials and work in progress with respect to such goods. Business inventories do not include goods leased or rented or mobile homes held by a dealer or distributor as part of his stock in trade. The market value of business inventories, for property tax purposes, is the cost to the person subject to the inventory tax.

(3) Class six property is taxed at 4% of its market value.

NEW SECTION. Section 7. Class ~~six~~ SEVEN property -- description -- taxable percentage. (1) Class ~~six~~ SEVEN property includes:

(a) livestock, poultry, and unprocessed products of both;

(b) all property used and owned by persons, firms, corporations, or other organizations that are engaged in the business of furnishing telephone communications exclusively to rural areas or to rural areas and cities and towns of 800 persons or less;

(c) all property owned by cooperative rural electrical and cooperative rural telephone associations that serve less than 95% of the electricity consumers or telephone users within the incorporated limits of a city or town;

(d) electric transformers and meters; electric light and power substation machinery; natural gas measuring and regulating station equipment, meters, and compressor station machinery owned by centrally assessed public utilities; and tools used in the repair and maintenance of this property; and

(e) tools, implements, and machinery used to repair and maintain machinery not used for manufacturing and mining purposes.

(2) To qualify for this classification, the average circuit miles for each station on the telephone communication system described in subsection (1)(b) must be more than 1 1/4 miles.

(3) Class ~~six~~ SEVEN property is taxed at 8% of its market value.

NEW SECTION. Section 8. Class ~~seven~~ EIGHT property -- description -- taxable percentage. (1) Class ~~seven~~ EIGHT property includes:

(a) all agricultural implements and equipment;

(b) all mining machinery, fixtures, equipment, tools, and supplies except:

(i) those included in class five; and

(ii) coal and ore haulers;

(c) all manufacturing machinery, fixtures, equipment, tools, and supplies except those included in class five;

(d) motorcycles;

(e) watercraft;

(f) light utility and boat trailers;

(g) aircraft;

(h) snowmobiles and all-terrain vehicles;

(i) harness, saddlery, and other tack equipment; and

(j) all other machinery except that specifically included in another class.

(2) Class ~~seven~~ EIGHT property is taxed at 11% of its market value.

NEW SECTION. Section 9. Class ~~eight~~ NINE property -- description -- taxable percentage. (1) Class ~~eight~~ NINE property includes:

(a) automobiles, buses, and trucks weighing 1 1/2 tons or less;

(b) stock, camping, and travel trailers;

(c) truck campers and toppers weighing more than 300 pounds, except those included in class five;

(d) motor homes except those included in class five;

(e) furniture, fixtures, and equipment, except that specifically included in another class, used in commercial establishments as defined in this section; ~~and~~

(F) X-RAY AND MEDICAL AND DENTAL EQUIPMENT; AND

~~(f)~~(G) citizens' band radios and mobile telephones.

(2) "Commercial establishment" includes any hotel;

motel; office; petroleum marketing station; or service, wholesale, retail, or food-handling business.

(3) Class ~~eight~~ NINE property is taxed at 13% of its market value.

~~NEW-SECTION.--Section-10.--Class---nine---property-----description----taxable-percentage.--(1)-Class-nine--property includes-moneyed-capital-and-shares-of-banks.~~

~~(2)--Class--nine--property--is--assessed--and--taxed-as provided-in-chapter-24,-part-5.~~

NEW SECTION. Section 10. Class ten property -- description -- taxable percentage. (1) Class ten property includes:

(a) radio and television broadcasting and transmitting equipment;

(b) cable television systems;

(c) centrally assessed utility allocations after deductions of locally assessed properties, except as provided in:

(i) class five for cooperative rural electrical and cooperative rural telephone associations; and

(ii) class ~~six~~ SEVEN for rural telephone and electrical organizations;

(d) coal and ore haulers;

(e) trucks weighing more than 1 1/2 tons, including those prorated under 15-24-102;

(f) trailers, except those included in classes five, ~~seven,--or--eight~~ EIGHT, OR NINE, including those prorated under 15-24-102;

~~(g)--x-ray---and---specialized---medical---and---dental equipment;~~

~~(h)~~(G) theater projectors and sound equipment; and

~~(i)~~(H) all other property not included in the preceding nine classes.

(2) Class ten property is taxed at 16% of its market value.

NEW SECTION. Section 11. Certain disabled veterans' residences exempt. (1) A residence, including the lot on which it is built, owned and occupied by a disabled veteran is exempt from property taxation under the following conditions. The owner must:

(a) have been honorably discharged from active service in any branch of the armed services;

(b) be rated 100% disabled due to a service-connected disability by the United States veterans administration or its successor; and

(c) have an annual income from all sources of not more than $7,000 for a single person and $8,000 for a married couple.

(2) If a veteran whose property has been eligible for this exemption dies, the property shall continue to be

exempt so long as the surviving spouse:

(a) remains unmarried;

(b) is the owner and occupant of the house; and

(c) has a total annual income from all sources of not more than $7,000.

NEW SECTION. Section 12. Application for class five and certain class four classifications. (1) A person applying for classification of property described in subsection ~~(1)(e)~~ (1)(c) of [section 5] or subsection (1)(d) of [section 4] shall make an affidavit to the department of revenue, on a form provided by the department without cost, stating:

(a) his income;

(b) his retirement benefits;

(c) his marital status;

(d) the fact that he maintains the land and improvements as his primary residential dwelling, where applicable; and

(e) such other information as is relevant to the applicant's eligibility.

(2) This application must be made before March 1 of the year after the applicant becomes eligible.

(3) The affidavit is sufficient if the applicant signs a statement affirming the correctness of the information supplied, whether or not the statement is signed before a

person authorized to administer oaths, and mails the application and statement to the department of revenue. This signed statement shall be treated as a statement under oath or equivalent affirmation for the purposes of 45-7-202, relating to the criminal offense of false swearing.

NEW SECTION. Section 13. Application for classification as new industrial property. (1) Any person, firm, or other group seeking to qualify its property for classification as new industrial property under class five shall make application to the department of revenue on a form provided by the department.

(2) The department of revenue shall promulgate rules for the determination of what constitutes an adverse impact, taking into consideration the number of people to be employed and the size of the community in which the location of the industrial property is contemplated.

(3) If the department makes an initial determination that the industrial property qualifies as new industrial property under class five, it shall publish notice of and hold a public hearing to determine whether the property should retain this classification.

(4) Local taxing authority officials may waive their objections to the property's classification in class five if the owner of the new industrial property agrees to prepay property taxes on the property during the construction

period. The maximum amount of prepayment shall be the amount of tax the owner would have paid on the property if it had not been classified under class five.

(5) If a new industrial facility qualifies under class five, its property tax payment may not be reduced for reimbursement of its prepaid taxes as provided in 15-16-201 until the class five qualification expires.

Section 14. Section 15-1-101, MCA, is amended to read:

"15-1-101. Definitions. (1) When terms mentioned in this section are used in connection with taxation, they are defined in the following manner:

(a) The term "assessed value" means the value of property as defined in 15-8-111.

(b) The term "credit" means solvent debts, secured or unsecured, owing to a person.

(c) The term "improvements" includes all buildings, structures, fixtures, fences, and improvements situated upon, erected upon, or affixed to land. When the department of revenue or its agent determines that the permanency of location of a mobile home or housetrailer has been established, the mobile home or housetrailer is presumed to be an improvement to real property. If the mobile home or housetrailer is an improvement located on land not owned by the owner of such improvement, the improvement is assessed as a leasehold improvement to real property and delinquent

taxes can be a lien only on the leasehold improvement.

(d) The term "mobile home" means forms of housing known as "trailers", "housetrailers", or "trailer coaches", exceeding 8 feet in width or 32 feet in length, designed to be moved from one place to another by an independent power connected to them.

(e) The term "personal property" includes everything that is the subject of ownership but that is not included within the meaning of the terms "real estate" and "improvements".

(f) The term "property" includes moneys, credits, bonds, stocks, franchises, and all other matters and things, real, personal, and mixed, capable of private ownership. This definition must not be construed to authorize the taxation of the stocks of any company or corporation when the property of such company or corporation represented by the stocks is within the state and has been taxed.

(g) The term "real estate" includes:

(i) the possession of, claim to, ownership of, or right to the possession of land;

(ii) all mines, minerals, and quarries in and under the land subject to the provisions of 15-23-501 and 15-23-801; all timber belonging to individuals or corporations growing or being on the lands of the United States; and all rights and privileges appertaining thereto.

(h) The term "taxable value" means the percentage of market or assessed value as provided for in ~~chapter 6, part 1~~ [sections 1 through 10 of this act].

(2) The phrase "municipal corporation" or "municipality" or "taxing unit" shall be deemed to include a county, city, incorporated town, township, school district, irrigation district, drainage district, or any person, persons, or organized body authorized by law to establish tax levies for the purpose of raising public revenue.

(3) The term "state board" or "board" when used without other qualification shall mean the state tax appeal board.

Section 15. Section 15-6-101, MCA, is amended to read:

"15-6-101. Property subject to taxation -- classification. (1) All property in this state is subject to taxation, except as provided otherwise.

(2) For the purpose of taxation, the taxable property in the state shall be classified in accordance with ~~15-6-102 through 15-6-121~~ [sections 1 through 10 of this act]."

Section 16. Section 15-7-202, MCA, is amended to read:

"15-7-202. Eligibility of land for valuation as agricultural. (1) Land which is actively devoted to agricultural use shall be eligible for valuation, assessment, and taxation as herein provided each year it meets either of the following qualifications:

(a) the area of such land is not less than 5 contiguous acres when measured in accordance with provisions of 15-7-206, and it has been actively devoted to agriculture during the last growing season, and it continues to be actively devoted to agricultural use, which means:

(i) it is used to produce field crops including but not limited to grains, feed crops, fruits, vegetables; or

(ii) it is used for grazing; or

[(iii) it is used for growing timber; or

~~(iii)~~[(iv)] it is in a cropland retirement program; or

(b) it agriculturally produces for sale or home consumption the equivalent of 15% or more of the owners' annual gross income regardless of the number of contiguous acres in the ownership.

(2) Land shall not be classified or valued as agricultural if it is subdivided with stated restrictions prohibiting its use for agricultural purposes.

(3) The grazing on land by a horse or other animals kept as a hobby and not as a part of a bona fide agricultural enterprise shall not be considered a bona fide agricultural operation."

Section 17. Section 15-8-111, MCA, is amended to read:

"15-8-111. Assessment -- market value standard -- exceptions. (1) All taxable property must be assessed at 100% of its market value except as provided in subsection

(5) of this section and in 15-7-111 through 15-7-114.

(2) Market value is the value at which property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of relevant facts.

(3) The department of revenue or its agents may not adopt a lower or different standard of value from market value in making the official assessment and appraisal of the value of property in ~~class one and classes seven through eighteen~~ subsection (1)(a) of [section 1], AND [sections 4 through ~~8], and section 10~~]. For purposes of taxation, assessed value is the same as appraised value.

(4) The taxable value for all property in ~~class one~~ subsection (1)(a) of [section 1], and AND classes seven four through ~~eighteen~~ ~~eighty-and-class ten~~ is the percentage of market value established for each class of property in ~~15-6-102 and 15-6-108~~ subsection (2)(a) of [section 1], AND [section 4] through ~~15-6-119~~ [section 8], and ~~section 10~~].

(5) The assessed value of properties in ~~15-6-103 through 15-6-107 and 15-6-120~~ subsection (1)(b) of [section 1], [section 2], AND [section 3], ~~and section 9~~] is as follows:

~~(a) Property in 15-6-106, under class five, is assessed at 100% of book value by the method established in 15-6-106 and the sections cited therein.~~

~~(b)~~(a) Properties in ~~15-6-103~~ subsection (1)(b) of [section 1], under class ~~two~~ one, are assessed at 100% of the annual net proceeds after deducting the expenses specified and allowed by 15-23-503.

~~(c)~~(b) Properties in ~~15-6-104, 15-6-105, and 15-6-120~~ [section 2] under ~~classes three, four, and nineteen~~ class two are assessed at 100% of the annual gross proceeds.

~~(d)~~(c) Properties in ~~15-6-107~~ [section 3], under class ~~six~~ three, are assessed at 100% of the productive capacity of the lands when valued for agricultural purposes. All lands that meet the qualifications of 15-7-202 are valued as agricultural lands for tax purposes.

~~(d) Property in [section 9] under class nine is assessed as provided in part 5, chapter 24, title 15.~~

(6) Land and the improvements thereon are separately assessed when any of the following conditions occur:

(a) ownership of the improvements is different from ownership of the land;

(b) the taxpayer makes a written request; or

(c) the land is outside an incorporated city or town.

(7) The taxable value of all property in subsection (1)(b) of [section 1] and classes two, AND ~~through six~~ three, ~~and nine~~ is the percentage of assessed value established in ~~15-6-103 through 15-6-107~~ subsection (2)(b) of [section 1] and [sections 2, AND 3, ~~and 9~~] for each class

of property.

Section 18. Section 15-23-501, MCA, is amended to read:

"15-23-501. Taxation of mines. All mines and mining claims, both placer and rock in place, containing or bearing gold, silver, copper, lead, coal, or other valuable mineral deposits, after purchase thereof from the United States, shall be taxed ~~at the price paid the United States--therefor unless--the surface ground or some part thereof of such mine or claim is used for other than mining purposes--and--has--a separate--and--independent value for such other purposes, in which case said surface ground or any part thereof--so--used for--other--than--mining purposes shall be taxed at its full value for such other purposes~~ as all other land is taxed. All machinery used in mining and all property and surface improvements upon or appurtenant to mines and mining claims which have a value separate and independent of such mines or mining claims and the annual net proceeds of all mines and mining claims shall be taxed as other personal property."

Section 19. Section 15-23-505, MCA, is amended to read:

"15-23-505. Assessment of royalties. Upon receipt of the list or schedule setting forth the names and addresses of any and all persons owning or claiming royalty and the amount paid or yielded as royalty to the royalty owners or

claimants during the year for which the return is made, the department of revenue shall proceed to assess and tax the royalties on the same basis as net proceeds of mines are taxed as provided by ~~15-6-103~~ [section 1 of this act]."

Section 20. Section 15-24-102, MCA, is amended to read:

"15-24-102. Valuation of interstate fleets -- determination of aggregate tax due. The department of revenue shall assess any interstate motor vehicle fleet making application for proportional registration as follows:

(1) The purchase price depreciated by a schedule as prescribed by the department shall determine the depreciated value.

(2) The depreciated value multiplied by the percent of miles traveled in Montana as prescribed by 61-3-721 shall be the assessed value.

(3) The sum of the assessed value of all vehicles included in the fleet multiplied by ~~12%~~ 16% shall be the taxable value for the entire fleet.

(4) To determine the amount of tax due, the taxable value of the entire fleet shall be multiplied by the statewide average county mill levy plus state levies as hereinafter provided."

Section 21. Section 15-24-301, MCA, is amended to read:

"15-24-301. Personal property brought into the state -- assessment -- exceptions -- custom combine equipment. (1) Property in the following cases is subject to taxation and assessment for all taxes levied that year in the county in which it is located:

(a) any personal property (including livestock) brought, driven, or coming into this state at any time during the year that is used in the state for hire, compensation, or profit;

(b) property whose owner or user is engaged in gainful occupation or business enterprise in the state; or

(c) property which comes to rest and becomes a part of the general property of the state.

(2) The taxes on this property are levied in the same manner and to the same extent, except as otherwise provided, as though the property had been in the county on the regular assessment date, provided that the property has not been regularly assessed for the year in some other county of the state.

(3) Nothing in this section shall be construed to levy a tax against a merchant or dealer within this state on goods, wares, or merchandise brought into the county to replenish the stock of the merchant or dealer in addition to the tax levied against the inventory of said merchant or dealer on the regular assessment date.

(4) This section shall not apply to motor vehicles brought, driven, or coming into this state by any nonresident, migratory, bona fide agricultural workers temporarily employed in agricultural work in Montana if the motor vehicles are used exclusively for transportation of agricultural workers.

(5) Agricultural harvesting machinery classified under ~~classes eight and twelve~~ class seven EIGHT, licensed in other states, and operated on the lands of persons other than the owner of the machinery under contracts for hire shall be subject to a fee in lieu of taxation of $35 per machine for a 60-day period. The machines shall be subject to taxation under ~~classes eight and twelve~~ class seven EIGHT only if they are sold in Montana."

~~Section 22. Section 15-24-505, MCA, is amended to read:~~

~~"15-24-505. Taxation of state banks and shares of stock in. (1) Every state bank or banking corporation located and doing business in this state and every private banker doing business in this state shall be taxed upon the value of all real estate and personal property owned by the bank, banking corporation, or private bankery upon the moneyed capital employed in the business, and such moneyed capital to be ascertained as provided by 15-6-106 [section 9 of this act]. The cashier or secretary of every bank or~~

banking corporation and every private banker shall furnish to the department of revenue or its agent in the county in which its or his bank is located, within 5 days after demand therefor, a statement verified by his oath showing all the resources and liabilities of the bank as disclosed by its books at the close of business on December 31 of the preceding year. If the cashier, secretary, or private banker fails to make the statement, the department or its agent shall forthwith obtain the information from any other available source and for this purpose shall have access to the books of the bank, banking corporation, or private banker. The department or its agent shall thereupon make an assessment of the real estate and personal property owned by the bank, banking corporation, or private banker and of the moneyed capital employed in the business of the bank, banking corporation, or private banker. The assessment shall be as fair and equitable as can be made from the best information available. For the purpose of the assessment, the figures disclosed by any prior report made by the bank, banking corporation, or private banker to any state or federal officer pursuant to any state or federal law may be adopted. Any person required by this section to make the statement hereinabove provided who fails to furnish it shall be guilty of a misdemeanor and punished accordingly.

(2) All shares of stock in any bank or banking

corporation shall be assessed at their full cash value, except to the extent that that value is represented in property which is assessable and taxable to the bank or banking corporation in this state, and shall be taxable to the owners of the shares in the county, school district, city, town, or place where the bank or banking corporation is located, whether the owners of the shares are residents of such county, school district, city, town, or place.

(3) The cashier or secretary of any bank or banking corporation shall furnish to the department or its agent, upon demand, the name of each stockholder, with his residence and the number of shares belonging to him at the close of business on December 31 of the preceding year. If the cashier or secretary, for more than 5 days after the demand, fails to furnish such information, he is guilty of a misdemeanor, and the department or its agent may obtain information from any other available source or from the books of the bank or banking corporation. For convenience, the assessment of the shares shall be entered on the personal property assessment list under the name of the bank or banking corporation concerned, but in the assessment list the names of the owners of such shares and the number of shares owned by each shall be set forth. The assessment, when so entered, has all the force and effect as if made in the names of the owners of the shares individually. The bank

~~or banking corporation in which the shares are owned is liable for the payment of taxes assessed against the shares, and the taxes are payable by and collected from the bank or banking corporation in the same manner and under the same penalties as other taxes. The bank or banking corporation may recover from the owners of shares any taxes paid on the shares and has a lien therefor upon the shares and upon any dividends accrued or to accrue thereon.~~

~~Section 23. Section 15-24-506, MCA, is amended to read:~~

~~"15-24-506. Banks in two or more counties apportionment of taxes. Any state or national bank, banking corporation, or private bank, the stock, moneyed capital, or moneys and credits of which are subject to taxation under the provisions of this part and chapter 6 of this title [section 9 of this act] and which has banking offices in more than one county, shall furnish to the department of revenue or its agent in each such county the information required of it by this part, together with a statement of the book value of real estate owned and located in the respective counties and a statement of the deposit liability shown by the books of account of said bank at each of its banking offices at the close of business on December 31 of the preceding years. The aggregate tax on the stock, moneyed capital, and moneys and credits of such bank, computed as~~

~~provided by law, shall be assessed by and be paid to the respective counties in the proportion which the amount of the deposit liability shown on the books of the office or offices of such bank located in such counties, respectively, shall bear to the total deposit liability of such bank.~~

Section 22. Section 15-24-1102, MCA, is amended to read:

"15-24-1102. Federal property held under contract of sale. When the property is held under a contract of sale or other agreement whereby upon payment the legal title is or may be acquired by the person, the real property shall be assessed and taxed as defined in ~~chapter 6, part 1~~ [sections 1 through 10] and 15-8-111 without deduction on account of the whole or any part of the purchase price or other sum due on the property remaining unpaid. The lien for the tax may not attach to, impair, or be enforced against any interest of the United States in the real property."

Section 23. Section 15-24-1103, MCA, is amended to read:

"15-24-1103. Federal property held under lease. When the property is held under lease, other interest, or estate therein less than the fee, except under contract of sale, the property shall be assessed and taxed as for the value, as defined in ~~chapter 6, part 1~~ [sections 1 through 10 of this act] of such leasehold, interest, or estate in the

property and the lien for the tax shall attach to and be enforced against only the leasehold, interest, or estate in the property. When the United States authorizes the taxation of the property for the full assessed value of the fee thereof, the property shall be assessed for full assessed value as defined in 15-8-111."

Section 24. Section 15-24-1308, MCA, is amended to read:

"15-24-1308. Land classified as industrial -- assessment provisions. (1) The governing body shall identify those lands within its jurisdiction whose highest and best purpose is determined to be industrial. Owners of existing industrial buildings and grounds under construction or undergoing expansion that increases the taxable value of the property 10% shall receive tax benefits or penalties based on their compliance with the land use categories established by the governing body. Improvements classified as "new industrial property" under ~~15-6-119~~ [section 5 of this act] may not qualify for benefits under this section. Industrial land and buildings shall be classified as Class A, B, C, or D for purposes of new construction or expansion of existing facilities.

(2) Tax benefits and penalties for new construction or expansion shall apply to the land and the improvements thereon in accordance with these classifications, determined

by the governing body, based on compliance with the following environmental criteria. Construction of or expansion of industrial buildings and grounds:

(a) would not place unreasonable burden on existing public services, such as highways, schools, and police and fire protection;

(b) would have sufficient water available for foreseeable needs;

(c) would meet existing air and water pollution requirements or that through reclamation the natural environment could be returned substantially to its original condition;

(d) would have adequate sewage and solid waste disposal facilities.

(3) Classes A, B, C, and D shall be determined and taxed as follows:

Class A--complies with criteria (2)(a) through (2)(d).

Class B--complies with criteria (2)(c) through (2)(d).

Class C--complies with criteria (2)(b) and (2)(d).

Class D--other than Class A, B, or C.

LAND CLASSIFICATION	INDUSTRIAL CLASSIFICATION			
	CLASS A	CLASS B	CLASS C	CLASS D
Residential	+ 50%	+100%	+150%	+200%
Commercial	- 25%	- 15%	-0-	+ 50%
Industrial	- 50%	- 30%	- 10%	+ 25%

The percentages above reflect the amount in addition (+) to the taxable value or less than (-) the taxable value. These percentages of taxable value shall be continuously applied to the land and the buildings for 10 consecutive years following their construction. The construction period may not be taxed for new industrial construction or expansion of an existing industry except as provided in 15-24-1307(3) and (5). Beginning with the 11th year following construction, the percentage of taxable value shall be adjusted in equal increments until taxable value is attained in the 20th year. Thereafter, the property shall be taxed at 100% of taxable value."

Section 25. Section 15-24-1311, MCA, is amended to read:

15-24-1311. Remodeling of homes, buildings, or structures -- assessment provisions. (1) Remodeling of existing buildings or structures shall receive tax benefits ~~in--lieu--of--those--provided--under--15-6-114,~~ during the construction period and for the following 5 years in accordance with the following schedule. These percentages shall be applied to any increase in taxable value caused by the remodeling:

Construction period	0%
First year following construction	20%
Second year following construction	40%

Third year following construction	60%
Fourth year following construction	80%
Fifth year following construction	100%
Following years	100%

(2) If an existing home, building, or structure is not remodeled as defined in this chapter within the 10 years following passage of this act, a 5% increase shall be added to its taxable value each year that the owner fails to remodel to a maximum of 50%. After a home, building, or structure has been remodeled, the provisions of this section shall be considered to be started again with the beginning of a new 10-year period.

(3) The governing body shall waive the provisions of this section unless it can be demonstrated that lack of regular maintenance over a period of time has failed to maintain the value of the property and that depreciation has taken place to lower the value of the property more than 2 1/2%."

Section 26. Section 20-9-407, MCA, is amended to read:

"20-9-407. Industrial facility agreement for bond issue in excess of maximum. (1) In a school district within which a new major industrial facility which seeks to qualify for taxation as class ~~eighteen~~ five property under ~~15-6-119~~ [section 5 of this act] is being constructed or is about to be constructed, the school district may require, as a

precondition of the new major industrial facility qualifying as class ~~eighteen~~ five property, that the owners of the proposed industrial facility enter into an agreement with the school district concerning the issuing of bonds in excess of the 29% limitation prescribed in this section. Under such an agreement, the school district may, with the approval of the voters, issue bonds which exceed the limitation prescribed in this section by a maximum of 29% of the estimated taxable value of the property of the new major industrial facility subject to taxation when completed. The estimated taxable value of the property of the new major industrial facility subject to taxation shall be computed by the department of revenue when requested to do so by a resolution of the board of trustees of the school district. A copy of the department's statement of estimated taxable value shall be printed on each ballot used to vote on a bond issue proposed under this section.

(2) Pursuant to the agreement between the new major industrial facility and the school district and as a precondition to qualifying as class ~~eighteen~~ five property, the new major industrial facility and its owners shall pay, in addition to the taxes imposed by the school district on property owners generally, so much of the principal and interest on the bonds provided for under this section as represents payment on an indebtedness in excess of the

limitation prescribed in this section. After the completion of the new major industrial facility and when the indebtedness of the school district no longer exceeds the limitation prescribed in this section, the new major industrial facility shall be entitled, after all the current indebtedness of the school district has been paid, to a tax credit over a period of no more than 20 years. The credit shall as a total amount be equal to the amount which the facility paid the principal and interest of the school district's bonds in excess of its general liability as a taxpayer within the district.

(3) A major industrial facility is a facility subject to the taxing power of the school district, whose construction or operation will increase the population of the district, imposing a significant burden upon the resources of the district and requiring construction of new school facilities. A significant burden is an increase in ANB of at least 20% in a single year."

Section 27. Repealer. Sections 15-6-102 through 15-6-121 and 15-7-121, MCA, are repealed.

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